

Intrepid Potash, Inc.
Form 10-K
February 13, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013

or
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-34025

INTREPID POTASH, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

26-1501877

(State or other jurisdiction of
incorporation or organization)

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

707 17th Street, Suite 4200, Denver, Colorado

80202

(Address of principal executive offices)

(Zip Code)

(303) 296-3006

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which
registered

Common Stock, par value \$0.001 per
share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.

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.

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

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

The aggregate market value of 54,900,025 shares of voting stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, of \$19.05 per share as reported on the New York Stock Exchange was \$1,045,845,476. Shares of common stock held by each director and executive officer and by each person who owns 10% or more of the registrant's outstanding common stock and is believed by the registrant to be in a control position were excluded. The determination of affiliate status for this purpose is not a conclusive determination of affiliate status for any other purposes.

As of January 31, 2014, the registrant had 75,738,774 shares of common stock, par value \$0.001, outstanding (including 333,364 restricted shares of common stock).

DOCUMENTS INCORPORATED BY REFERENCE

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Certain information required by Items 10, 11, 12, 13 and 14 of Part III is incorporated by reference from portions of the registrant's definitive proxy statement relating to its 2014 annual meeting of stockholders to be filed within 120 days after December 31, 2013.

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PART I

Unless the context otherwise requires, the following definitions apply throughout this Annual Report on Form 10-K:

• "Intrepid," "our," "we," or "us" means Intrepid Potash, Inc. and its consolidated subsidiaries.
• "West," "East," "North," and "HB" mean our four operating facilities near Carlsbad, New Mexico. "Moab" means our operating facility in Moab, Utah. "Wendover" means our operating facility in Wendover, Utah. You can find more information about our facilities in Item 2 of this Annual Report on Form 10-K.

• "Tons" mean short tons. One short ton equals 2,000 pounds. Many of our international competitors refer to metric tonnes. One metric tonne equals 1,000 kilograms or 2,205 pounds.

To supplement our consolidated financial statements, which are presented in this Annual Report on Form 10-K and which are prepared and presented in accordance with GAAP, we also use several non-GAAP financial measures to monitor and evaluate our performance. These non-GAAP financial measures include net sales, average net realized sales price, cash operating costs and average potash and Trio® gross margin. These non-GAAP measures are described and reconciled to the most comparable GAAP measures in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures of this Annual Report on Form 10-K.

We have included technical terms important to an understanding of our business in the "Glossary of Terms" in Item 1 of this Annual Report on Form 10-K.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Securities Act of 1933, as amended (the "Securities Act"). These forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in this Annual Report on Form 10-K other than statements of historical fact are forward looking statements. Forward-looking statements include statements about our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, among other things. 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." Forward looking statements are only predictions based on our current knowledge, expectations, and projections about future events.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including the following:

- changes in the price, demand, or supply of potash or Trio®/langbeinite
 - circumstances that disrupt or limit our production, including operational difficulties or operational variances due to geological or geotechnical variances
- interruptions in rail or truck transportation services, or fluctuations in the costs of these services
- increased labor costs or difficulties in hiring and retaining qualified employees and contractors, including workers with mining, mineral processing, or construction expertise
- the costs of, and our ability to successfully construct, commission, and execute, any of our strategic projects, including our HB Solar Solution mine, our North compaction plant, our West plant upgrades, and our Moab cavern systems
- adverse weather events, including events affecting precipitation and evaporation rates at our solar solution mines
- changes in the prices of raw materials, including chemicals, natural gas, and power
- the impact of federal, state, or local governmental regulations, including environmental and mining regulations; the enforcement of those regulations; and governmental policy changes
- our ability to obtain any necessary governmental permits relating to the construction and operation of assets
- changes in our reserve estimates
- competition in the fertilizer industry
- declines or changes in U.S. or world agricultural production or fertilizer application rates
- declines in the use of potash products by oil and gas companies in their drilling operations
- changes in economic conditions

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our ability to comply with covenants in our debt-related agreements to avoid a default under those agreements, or the total amount available to us under our credit facility is reduced, in whole or in part, because of covenant limitations

disruption in the credit markets

our ability to secure additional federal and state potash leases to expand our existing mining operations

the other risks, uncertainties, and assumptions described in Item 1A. Risk Factors and elsewhere in this Annual Report on Form 10-K.

In addition, new risks emerge from time to time. It is not possible for our management to predict all risks that may cause actual results to differ materially from those contained in any forward-looking statements we may make.

In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in these forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, except as required by law.

ITEM 1. BUSINESS

General

We are the largest producer of muriate of potash (“potassium chloride” or “potash”) in the United States and are one of two producers of langbeinite (“sulfate of potash magnesia”). Langbeinite is a low-chloride potassium fertilizer with the additional benefits of sulfate and magnesium. We generally describe this multi-nutrient specialty product as langbeinite when we refer to production and as Trio[®] when we refer to sales and marketing. Our revenues are generated exclusively from the sale of potash and Trio[®]. We are a leader in the utilization of solution mining to produce potash. Our potash is marketed for sale into three primary markets. These markets are the agricultural market as a fertilizer input, the industrial market as a component in drilling and fracturing fluids for oil and gas wells and an input to industrial processes, and the animal feed market as a nutrient supplement.

Potassium is one of the three primary macronutrients essential to plant formation and growth. Since 2005, we have supplied, on average, approximately 1.5% of annual world potassium consumption and 9.1% of annual U.S. potassium consumption. We also produce salt, magnesium chloride, and metal recovery salts from our potash mining processes, the sales of which are accounted for as by-product credits to our cost of sales.

We own six active potash production facilities—four in New Mexico and two in Utah. We have a current estimated annual productive capacity of approximately 1.1 million tons of potash, including approximately 180,000 tons of designed productive capacity for the recently completed HB Solar Solution mine, and approximately 200,000 tons of langbeinite, based on current design. We are not currently producing at annual rates equal to our estimated productive capacity. Actual production is affected by operating rates, the grade of mined ore, recoveries, mining rates, evaporation rates, and the amount of development work that we perform. Therefore, as with other producers in our industry, our production results tend to be lower than reported productive capacity. After years of design and construction work, we recently completed construction of the HB Solar Solution mine near Carlsbad, New Mexico, and we are processing our first harvest of ore from the solar evaporation ponds. We expect the initial commissioning of the processing plant to continue through much of 2014. The HB Solar Solution mine applies solution mining and solar evaporation techniques to produce potash from previously idled mine workings. We expect production from the HB Solar Solution mine to increase as we ramp up production through 2016. We have additional opportunities to develop mineralized deposits of potash in New Mexico as well as to improve recoveries in our processing plants. These opportunities potentially include additional solution mining activities and improved recoveries of langbeinite. Longer-term opportunities include the potential reopening of the North mine, which was operated as a traditional underground mine until the early 1980s, and the acceleration of production from our reserves.

Our principal offices are located at 707 17th Street, Suite 4200, Denver, Colorado 80202, and our telephone number is (303) 296-3006.

Company History

Intrepid (through a predecessor entity) was formed in 2000. We initially acquired the Moab, Utah facility, a solar solution mine that had been experiencing declining production. Our management team stabilized and improved the production volumes at Moab substantially above the pre-acquisition level by drilling additional wells into the then existing producing ore body. We further production by applying horizontal drilling technology, which is commonly used in the oil and gas industry but had never before been used to mine potash, to drill wells into a previously untouched potash zone thereby creating a new multi-lateral horizontal cavern system in a deeper ore body.

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We observed that potash from Moab shared markets with potash produced in Carlsbad, New Mexico, and Wendover, Utah. Accordingly, we formulated a strategy to acquire assets in those areas in order to consolidate marketing efforts and effect operating synergies. In February 2004, we acquired the assets of Mississippi Potash, Inc. and Eddy Potash, Inc. in Carlsbad, from Mississippi Chemical Company. In April 2004, we acquired the potash assets of Reilly Chemical, Inc. in Wendover.

From January 2000 through December 31, 2013, we have invested over \$1.0 billion to build new and update existing assets to improve the reliability, recoveries, efficiencies, flexibility, and productivity of our operations. The most significant of our capital expenditures occurred over the last three years, when we deployed \$256.2 million, \$253.0 million, and \$136.3 million, during 2013, 2012, and 2011, respectively. The majority of our more recent investments are associated with several major projects that have only recently been placed into service. With the recent completion of the HB Solar Solution mine, our capital investment program is expected to be significantly smaller in 2014 with approximately \$40 million to \$50 million of total capital investment which is shared between completing larger opportunity projects and sustaining capital. The investment of this capital is designed to bring on projects that lower our per-ton operating costs, improve our reliability, improve our recoveries, and add production flexibility to our processes. An example is the new production expected from the HB mine. Beginning with our third potash harvest in the fall of 2015, the per-ton cash operating costs from this facility are expected to be nearly half of our per-ton cash operating costs today. The additional production from this facility will lower our overall per-ton cash operating costs, making Intrepid more competitive in the volatile potash market.

We have one operating segment which is the extraction, production and sale of potassium containing products. Our extraction and production operations are conducted entirely in the continental United States. We focus on the marketing and sale of potash in the United States into regions and specific locations that generate the most favorable average net realized sales prices for the specific product needs of our customers. Our Trio[®] product is sold into both the domestic and international markets, as driven by the margin considerations for the tons being sold and the specific product needs of customers.

Our Products and Markets

Our two primary products are potash and langbeinite, which is marketed as Trio[®].

Potash

The majority of our revenues and gross margin are derived from the production and sales of potash. Our potash is marketed for sale into three primary markets. These markets are the agricultural market as a fertilizer input, the industrial market as a component in drilling and fracturing fluids for oil and gas wells and an input to industrial processes, and the animal feed market as a nutrient supplement. The agricultural market is predominately a user of granular-sized potash and Trio[®], while the industrial and animal feed markets largely consume standard and fine standard-sized product. Our recent investments in granulation capacity have afforded us the flexibility to produce all of our product in a granular form. This flexibility has allowed us to expand our geographical reach for granular sales and to adjust our production of standard-sized product to more closely align with the specific product demand, thereby decreasing our dependence on sales of any one particular size of potash.

Our sales of potash tend to focus on agricultural areas and feed manufacturers in the central and western United States, as well as oil and gas drilling areas in the Rocky Mountains and the greater Permian Basin area. We also have domestic sales, primarily of Trio[®], that go into the southeastern and eastern United States, with a focus on areas with specific agricultural nutrition requirements. We manage our sales and marketing operations, including our freight and logistics planning, centrally, which allows us to evaluate the product needs of our customers and then determine which of our production facilities can be utilized to fill customer orders, all with the design of realizing the highest average net realized sales price for our potash.

Because many of our sales are geographically concentrated in the central and western United States, our sales can be affected by weather and other conditions in these regions. Through industry publications, we monitor oil and gas drilling rig count in the United States as an indicator of activity. Industrial demand for our standard sized product likely will continue to correlate with oil and gas pricing, as well as drilling and well completion activity.

Trio[®]

Trio[®] is marketed into two primary markets. These markets are 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. (“PCS Sales”) for sales outside the United States and Canada and via a non-exclusive agreement for sales into Mexico. Sales of Trio[®] on an international basis tend to be larger, less frequent bulk shipments and vary as to when such shipments take place; therefore, we see greater variability in our sales volumes from period-to-period when compared to our domestic sales.

Industry Overview

Long-term global fertilizer demand has been driven primarily by population growth, planted acreage, agricultural commodity yields and prices, inventories of grains and oilseeds, application rates of fertilizer, global economic conditions,

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weather patterns, and farm sector income. We expect these key variables to continue to have an impact on fertilizer demand for the foreseeable future. Sustained income growth and agricultural policies in the developing world also affect demand for fertilizer. Fertilizer demand is affected by other geopolitical factors such as temporary disruptions in fertilizer trade related to government intervention and changes in the buying patterns of key consuming countries. Dealers who purchase our products have increasingly sought to minimize their inventory risk as a general business practice and in response to economic uncertainty in the U.S. and the world. This uncertainty, along with tight grain stocks, has resulted in volatility in agricultural commodity prices, which has impacted farmer fertilizer buying decisions. This climate of economic uncertainty could continue to have an impact on the fertilizer market.

The price of potash has been in a decline for nearly two and half years. The announcements in July 2013 by the Russian producer Uralkali that it was withdrawing from its international marketing group arrangement, Belarusian Potash Company ("BPC"), further accelerated potash price erosion. Uralkali also indicated that it was going to shift to a volume over price model. These statements led to a rapid price decrease and further deferral of potash purchasing in the fall of 2013. We also believe potash pricing has been impacted by new brownfield capacity added by the Canadian producers in the last two years that has the potential to further exacerbate the current imbalance of potash supply and demand. As these brownfield projects are brought into production, North American potash production and inventory levels may be further impacted by the utilization and operating rates of these projects, including any proving production runs required by Canpotex to establish sales allocations levels within Canpotex.

Potash prices are currently at the lowest levels in seven years. The depressed price has led some producers, including us, to reduce their workforce to adjust their costs in anticipation of lower revenues. In January 2014, we undertook several cost-savings initiatives, including a workforce reduction at all of our sites, including our headquarters in Denver. The goal of these cost-savings initiatives was to better align our cost structure with the declining potash prices and the conclusion of our major capital projects.

Fertecon Limited ("Fertecon"), a fertilizer industry consultant, expects global potash consumption to grow approximately 9% from 2013 to 2014 and then by approximately 4% annually from 2014 through 2020. This growth is expected to be driven primarily by global demand for agricultural commodities, which in turn is driven by the demand for food and alternative energy sources. As the population grows, more food is required from decreasing arable land per capita. A balanced approach to nutrient application will allow farmers to maximize yield and aid in feeding this growing population. As incomes grow in the developing world, people tend to change their diet and consume more animal protein, which requires larger amounts of grain for feed. In addition, the focus in the U.S. on increasing renewable energy has led to regulatory policies supportive of ethanol and bio-diesel production, which currently rely on agricultural products as feedstock.

Fertilizer serves a fundamental role in global agriculture by providing essential crop nutrients that help sustain both the yield and the quality of crops. The three primary nutrients required for plant growth are nitrogen, phosphate, and potassium, and there are no known substitutes for these nutrients. A proper balance of each of the three nutrients is necessary to maximize their effectiveness. Potassium helps regulate plants' physiological functions and improves plant durability, providing crops with protection from drought, disease, parasites, and cold weather. Unlike nitrogen and phosphate, the potassium contained in naturally occurring potash does not require additional chemical conversion to be used as a plant nutrient.

While industry experts continue to expect that consumption rates will increase as world population grows, significant additional capacity has been brought on line over the last two years by existing producers. There are a number of brownfield expansions that have been commissioned or that are under construction by the larger Canadian potash producers. As a result of the imbalance between supply and demand, the estimated worldwide annual capacity is now in excess of recent annual demand. It is expected that this supply surplus will exist for several years. The larger, well-established producers are operating at less than full capacity, and have a history of managing production levels to more closely meet worldwide demand.

Potash is mined from conventional underground mines, such as at our West and East mines near Carlsbad, as well as through solution mining sub-surface structures and brine recovery from surface resources, as is done at our Moab, Wendover and HB Solar Solution mine operations.

Virtually all of the world's potash is currently extracted from approximately 20 commercial deposits. According to the International Fertilizer Industry Association ("IFA") and data published by potash mining companies, six countries accounted for approximately 90% of the world's aggregate potash production during 2012. During this time period, the top nine potash producers supplied approximately 95% of world production. The three major Canadian producers participate in the Canpotex marketing group that supplied approximately 31% of the global potash production in 2012, and, until mid-2013, two other producers in Russia and Belarus participated in a second marketing group that supplied approximately 34% of global potash production during 2012.

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There are substantial challenges to adding new potash production as economically recoverable potash deposits are scarce, deep in the earth and geographically concentrated. In addition, a considerable amount of capital is required to produce potash. In addition to typical mining and processing infrastructure, product storage, product load out, and rail access to ship the product are required. A further challenge is that the majority of unexploited mineralized deposits of potash existing outside the Canadian province of Saskatchewan are located in remote and/or politically unstable regions such as the Congo, Thailand, Ethiopia, Argentina, and Kazakhstan. In addition, there are a number of smaller companies, commonly referred to as "juniors," that have obtained potash leases or concessions.

Energy prices and consumption affect the potash industry in several ways. Energy policies in the U.S. have supported the development of biofuels, which currently rely upon agricultural products as feedstock. As demand and prices for these agricultural products increase or decrease, the use of fertilizer becomes more or less economically attractive. In addition, energy prices affect the global levels of oil and gas drilling, and potash is used as a fluid additive as a means to reduce the risk of swelling in clays in the formation. We believe the positive benefit of potassium chloride in drilling and fracturing fluids has been well established in the oil and gas industry. According to drilling rig count data compiled by Baker Hughes, we have seen a decrease in activity in the regions we serve from our facilities. The decrease in drilling has resulted in decreased demand for drilling and fracturing fluids.

Changes in fuel prices directly affect the cost of producing, drying and transporting potash from producing to consuming regions. The price of natural gas has been relatively low over the past several years. The forward price indications, if sustained, suggest natural gas prices will have a neutral impact on our production costs in 2014. Although the forward gas prices have increased in the last year, spot prices remain close to the five-year average.

Competition

We sell into commodity markets and compete based on delivered price of potash and Trio[®], timely service, reliability of supply, and product quality. Products must be durable, and maintain particle size and potassium oxide ("K₂O") content benchmarks in order to compete effectively. Further, our customers value our ability to deliver product in a timely manner.

We compete primarily with much larger potash producers, principally Canadian producers and, to a lesser extent, producers located in Russia, Chile, Germany, and Israel. As a smaller producer, we seek to maintain an advantage through customized and timely service for our customers, and a focus on the markets in which we have a transportation cost advantage.

Strategy

Our strategy is to maximize margins from selling our two primary products, potash and Trio[®]. Our margin maximization strategy is dependent upon earning a higher per-ton average net realized sales price and lowering our per-ton production costs. Over the long term, we have typically achieved a higher average net realized sales price for our potash products compared to our North American competitors because of our freight advantage to key geographies, our diverse customer and market base and our flexible marketing approach. We believe each of these factors provides us with a competitive advantage. Our ability to lower our per-ton costs also positively influences margins.

Our capital expenditures are designed to improve the efficiencies and productive capacity of our existing mine and plant operations with specific reliability, de-bottlenecking, granulation, and product recovery projects. We may also attempt to increase potash and langbeinite production through the reopening of mines and expansion of production capabilities at our facilities. Key to our ability to lower costs is increasing the percentage of potash production using our combined solution and solar evaporation technology, which is among the lowest cost methods of production. Our understanding and application of solution mining, combined with solar evaporation, allows us to benefit from producing an increasing number of potash tons at our lower per-ton production cost.

In the current market environment and as we complete our major capital project phase, our strategy is focused on optimizing our assets, and gaining the operating efficiencies of the major capital projects that have been completed in recent years.

Focus on margin. We focus on marketing our products into markets that provide the greatest margins relative to our production capacity. By fully participating in these markets at competitive prices, we aim to keep inventory moving through the plants, which in turn, maximizes production and reduces per ton operating costs. We have the advantage

of being located close to the markets we serve and the North

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American market is much larger than our production capacity. We continue to look for additional opportunities to control our fixed and variable operating expenses and plan to pursue various initiatives to increase the sustainability and reliability of our mining and plant facilities.

Increase marketing flexibility. We have been strategically adding more granulation capacity to our operations. By increasing our compaction capacity, we have the ability to convert more of our standard-sized product into granular-sized product, which is typically sold into the agricultural market as market conditions warrant. This also provides us with increased marketing flexibility as well as decreased dependence on any one particular market. In 2013, we substantially completed the upgrade and expansion of our North compaction facility, which will be able to compact the production from the HB Solar Solution mine and the expansion of mining and milling capacity at the West mine. We have installed and commissioned the first two compactor lines in 2013, and expect to have the third and final line commissioned in the first half of 2014. After the third compaction line is fully operational, the total compaction capacity of the North facility will significantly exceed our production. We also completed construction of new granulation facilities in Moab and Wendover in late 2010 and 2011, respectively.

In late 2013, we expanded our warehouse distribution capabilities by acquiring a warehouse in St. Joseph, Missouri. This warehouse provides us with the opportunity to have our products positioned closer to the end market, and further reduces surges in loading at our production facilities.

Expand potash production from existing facilities and add production from new facilities. We have expansion opportunities at our operating facilities that we expect will increase production, drive down our per-ton cost and increase our cash flow. Our HB Solar Solution mine is our most significant project to increase production at lower operating costs. The HB Solar Solution mine uses the same low-cost solar evaporation and solution mining technology we have been using continuously since the acquisition of our Moab mine in 2000. The HB Solar Solution mine was formerly operated as a conventional underground mine before it was idled in 1996 by its previous owner. We began construction on the HB Solar Solution mine in March 2012, recently completed plant construction and have begun initial commissioning activities as we process our first harvest of product from the solar evaporation ponds. We expect to ramp up production after the summer evaporation seasons in 2014 and 2015, and expect to reach designed production levels in 2016, assuming the benefit of average annual evaporation cycles applied to full evaporation ponds.

We have also been expanding our mining capacity at our Carlsbad facilities through the addition of new mining panels at our East facility in 2013 and 2012 and at our West facility in 2012. Beginning in 2013, we began a series of projects at our West facility that are designed to restore our recovery rates for potash as we transition into more difficult ore zones, which will result in increased production levels. While some of these projects have been completed, we do not expect to realize their full designed potential until all of the projects are fully commissioned, which is expected to occur throughout 2014.

Further, during 2012 and 2013, we completed the development of our second and third horizontal cavern systems at our Moab facility. These new caverns are expected to not only maintain current production levels, but also increase production in future production periods beginning in the second half of 2014.

Expand langbeinite production. The only known commercial reserves of langbeinite ore in the world are located near Carlsbad, New Mexico. We are one of the only two producers of langbeinite. To increase our Trio[®] production, we completed construction of the Langbeinite Recovery Improvement Project ("LRIP") in late 2011. As a result, we have increased our Trio[®] production and continue our efforts to maximize the amount of pelletized product we manufacture as we see strong demand for the natural granular and premium pelletized product.

Competitive Strengths

U.S. based potash-only producer. We are one of three publicly traded potash-only companies. We are dedicated to the production and marketing of potash and langbeinite. Provided that mining and milling operations occur at steady operating rates, the costs to mine and produce potash are relatively fixed and stable, whereas the costs to produce other fertilizers have significantly greater exposure to volatile raw material costs, such as natural gas used to produce nitrogen and ammonia and sulfate used to produce

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phosphate products. The mining sector has experienced considerable cost pressures over the past several years. As a U.S. producer, we enjoy a significantly lower total production tax and royalty burden than our principal competitors, which operate primarily in Saskatchewan, Canada. The Saskatchewan tax system for potash producers includes a capital tax and several potash mineral taxes, none of which are imposed on us as a U.S. producer. The Saskatchewan potash mineral tax includes a crown royalty, a base payment, and a profit tax. We currently pay an average royalty rate of approximately 4% of our net sales, which compares favorably to that of our competitors in Canada. We expect our average royalty rate to increase closer to 5% in the coming years, as our federal potash leases in New Mexico are expected to be renewed at a flat 5% rate rather than at a sliding scale of 2% to 5%. The relative tax and royalty advantage for U.S. producers becomes more pronounced when profits per ton increase due primarily to the profit tax component of the Saskatchewan potash mineral tax.

Solar evaporation operations. The HB Solar Solution mine, located in the New Mexico desert, the Moab mine and the Wendover facility, both located in the Utah desert, utilize solar evaporation to crystallize potash from brines. Solar evaporation is a low-cost and energy-efficient method of producing potash. Our understanding and application of low cost solution mining, combined with the favorable climate for evaporation at our solution mining locations, allow these facilities to enjoy relatively low production costs.

Assets located near our primary customer base. Our mines are advantageously located near our largest customers. We believe that our locations allow us to obtain higher average net realized sales prices than our competitors, who must ship their products across longer distances to consuming markets, which are often export markets. Our location allows us to target sales to the markets in which we have the greatest transportation advantage, maximizing our average net realized sales price. Our access to strategic rail destination points and our location along major agricultural trucking routes support this advantage. In addition, our location in oil and gas producing regions allows us to serve industrial customers, the majority of whom we service by truck.

Diversity of markets. We sell to three different markets for potash—the agricultural, industrial and feed markets. During 2013, these markets represented approximately 71%, 21%, and 8% of our potash sales, respectively. According to Fertecon, approximately 91% of all potash produced is used as a fertilizer highlighting that we have more diversified markets into which we sell our potash. A primary component of the industrial markets we serve is the oil and natural gas services industry, where potash is commonly used in drilling and fracturing oil and natural gas wells.

Participation in specialty markets. Given the greater scarcity of langbeinite relative to potash and its agronomic suitability for certain soils and crops, there is demand for our langbeinite product, known as Trio[®], outside of our core potash markets. As our langbeinite production levels have increased following completion of the Langbeinite Recovery Improvement Project, we have increased our marketing activities for this specialty product. There appears to be a growing awareness of the agronomic value of the magnesium and sulfate in this specialty product, which was evidenced by stronger Trio[®] pricing in 2013 as potash pricing softened.

Significant reserve life and water rights. Our potash and langbeinite reserves each have substantial years of reserve life, with remaining reserve life ranging from 28 to 170 years, based on proven and probable reserves estimated in accordance with U.S. Securities and Exchange Commission (“SEC”) requirements. This lasting reserve base is the result of our past acquisition and development strategy. In addition to our reserves, we have valuable water rights and access to significant mineralized areas of potash for potential future exploitation.

Existing facilities and infrastructure. Constructing a new potash production facility requires substantial time and extensive capital investment in mining, milling, and infrastructure to process, store and ship product. Our six operating facilities already have significant facilities and infrastructure in place. We have the ability to expand our business using existing installed infrastructure, in less time and with lower expenditures than would be required to construct entirely new mines.

Track record of innovation and modernization. Our management team has a history of building successful operations through the acquisition of underutilized assets, followed by creative use of technology to increase productivity and reliability and to re-invest cash flows into the business to grow production. As an entrepreneurial, potash-only producer, we have devoted considerable management attention to each facility,

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with a focus on modernization, sustainability, and improving production. We have applied technologies from other industries, including the oil and gas industry, and implemented innovative production processes. We have systematically made investments in our facilities such as warehousing storage systems for ore, the replacement of older equipment, new granulation assets, and new and upgraded mill facilities. Over the last three years, we have invested over \$650 million in capital at our facilities to enhance the productivity and reliability of our operations.

International Marketing and Distribution

Internationally, our sales of potash and Trio[®] are marketed on a spot basis by PCS Sales under an exclusive marketing agreement for sales outside North America and under a non-exclusive agreement for sales into Mexico. This relationship gives us access to PCS Sales' extensive international sales network and informs us about developments related to sulfate of potash magnesium in the international market. During 2013, approximately 24% of our Trio[®] tons were sold internationally, representing approximately 3% of our total net sales. During the years ended December 31, 2013, 2012, and 2011, approximately 96% of our net sales were in the United States, with the remaining sales into countries and regions such as Ghana, Canada, Mexico and Latin America.

Major Customers

We have a diversified customer base exceeding 180 customers in the agricultural, industrial, and feed markets. Within the agricultural market, we supply a diversified customer base of distributors, cooperatives, retailers, and dealers, which in turn supply farmers producing a wide range of crops. Agricultural markets primarily consume granular sized potash, whereas the industrial and feed markets primarily consume standard sized potash. Our facilities were designed to produce either of these products, and we are able to switch production between them, giving us flexibility to adjust our product mix to market conditions. Servicing the industrial and feed markets provides us with a customer base that is unrelated to agricultural markets.

In 2013, 2012, and 2011, one of our distributor customers accounted for approximately 11%, 22%, and 17%, respectively, of our sales, and another distributor customer accounted for approximately 7%, 9%, and 12% of sales, respectively. Our industry is competitive, and we consider our relationship with these customers to be very important. While we believe that the loss of any customer is significant, because of the size of our company compared to the overall size of the North American market and the regional demands for our products, we do not believe that the decline in a specific customer's purchases would have a material adverse long-term effect upon our financial results.

Environmental, Safety, and Health Matters

We mine and process potash and potassium-related products, which subjects us to an evolving set of federal, state, and local environmental, safety, and health ("ESH") laws that regulate, or propose to regulate: (1) soil, air and water quality standards for our facilities; (2) disposal, storage, and management of hazardous and solid wastes; (3) post-mining land reclamation and closure; (4) conditions of mining and production operations; (5) employee and contractor safety and occupational health; and (6) product content and labeling.

We employ, both within and outside Intrepid, environmental professionals to review our operations, assist with environmental compliance, and obtain new and maintain established permits and licenses to operate. These environmental professionals identify and address compliance issues regarding hydrocarbon management, solid and hazardous waste management, protection of water and air quality, asbestos abatement, potable water standards, reclamation and closure, radiation control, animal and plant life, and other ESH issues.

We have spent, and anticipate that we will continue to spend, financial and managerial resources to comply with ESH standards. The majority of these resources will be expended through our capital budget. In 2013, we expended approximately \$8.3 million on environmentally related capital projects to enhance environmental compliance and protection and expect to invest a similar amount in 2014. In 2013, we recognized an environmental expense of \$0.4 million within cost of goods sold expense, principally for environmental enhancement projects to improve compliance, disposal of hazardous materials and environmental studies and remediation efforts. We expect to incur similar environmental expenses within our cost of goods sold expense in 2014. If potential negative effects to the environment are discovered, or if the potential negative effects are of a greater magnitude than currently estimated, material expenditures could be required in the future to remediate the identified effects at these or at other current or former sites.

We cannot predict the potential effects of new or changed laws, regulations, or permit requirements, including the matters discussed below, or changes in the ways that such laws, regulations, or permit requirements are enforced, interpreted, or administered. ESH laws and regulations are complex, are subject to change and have become more stringent over time. It is possible that greater than anticipated ESH capital expenditures or reclamation and closure expenditures will be required in 2014 or in the future. We expect continued government and public emphasis on environmental issues will result in increased future investments for environmental controls at our operations.

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Product Registration Requirements

We are required to register fertilizer products with each U.S. state and foreign country where products are sold. Each brand and grade of commercial fertilizer must be registered with the appropriate state agency before being offered for sale, sold, or distributed in that state. Registration requires a completed application, guaranteed analysis, product labels, and registration fee. Sold products must have specified information printed on the bag, on tags affixed to the end of the package, or, if in bulk shipments, written or printed on the invoice, bill of lading, or shipping papers. State registrations are for one to two-year periods, depending on each state's requirements. In addition, each state requires tonnage reporting for products sold into that state either monthly, quarterly, semi-annually, or annually, depending on the state's requirements. Some states require the same registration and reporting process for feed grade products; industrial-grade products do not require registration or tonnage reporting.

Operating Requirements and Government Regulations

Permits. We are subject to numerous environmental laws and regulations, including laws and regulations regarding land use and reclamation; release of air or water emissions; plant and animal life; and the generation, treatment, storage, disposal, and handling of hazardous substances and wastes. These laws include the Clean Air Act; the Clean Water Act; the Resource Conservation and Recovery Act; the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"); the Toxic Substances Control Act; and various other federal, state, and local laws and regulations. Violations can result in substantial penalties, court orders to install pollution control equipment, civil and criminal sanctions, permit revocations and facility shutdowns. In addition, environmental laws and regulations may impose joint and several liability, without regard to fault, for cleanup costs on potentially responsible parties who have released, disposed of or arranged for release or disposal of hazardous substances in the environment.

We hold numerous environmental, mining and other permits or approvals authorizing operations at each of our facilities. Our operations are subject to permits for, among other things, extraction of salt and brine, discharges of process materials and waste to air and surface water, and injection of brine. Some of our proposed activities may require waste storage permits. A decision by a government agency to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could limit or prevent us from mining at these properties. In addition, changes to environmental and mining regulations or permit requirements could limit our ability to continue operations at the affected facility. Expansion of our operations also is predicated upon securing the necessary environmental or other permits or approvals. In certain cases, as a condition to procuring the necessary permits and approvals, we are required to comply with financial assurance regulatory requirements. The purpose of these requirements is to assure the government that sufficient company funds will be available for the ultimate reclamation, closure, and post-closure care at our facilities. We obtain bonds as financial assurance for these obligations. These bonds require annual payment and renewal.

We believe we are in compliance with existing regulatory programs, permits, and approvals where non-compliance could have a material adverse effect on our operating results or financial condition. From time to time, we have received notices from governmental agencies that we are not in compliance with certain environmental laws, regulations, permits, or approvals. For example, although designated as zero discharge facilities under the applicable water quality laws and regulations, our East facility, North facility, and Moab facility at times may experience some water discharges during periods of significant rainfall. We have implemented several initiatives to address discharge issues, including the reconstruction or modification of certain impoundments, increasing evaporation, and reducing process water usage and discharges. State and federal officials are aware of these issues and have visited the sites to review our corrective efforts and action plans.

Air Emissions. With respect to air emissions, we anticipate that additional actions and expenditures may be required in the future to meet increasingly stringent U.S. federal and state regulatory and permit requirements, including existing and anticipated regulations under the federal Clean Air Act. The U.S. Environmental Protection Agency and the New Mexico Environment Department have issued a number of regulations establishing requirements to reduce nitrogen oxide emissions and other air pollutant emissions. Additionally, with increased attention paid to emissions of greenhouse gases, including carbon dioxide, new federal or state regulations could go into effect that may affect our operations. We will continue to monitor developments in these various programs and assess their potential impacts on

our operations.

From time to time, in the ordinary course of our business, we receive notices from the New Mexico Environment Department of alleged air quality control violations. Upon receipt of such notices, we promptly evaluate the matter and take any required corrective actions. In these circumstances, we may be required to pay certain civil penalties for any such notices of violation. The malfunction or failure of pollution control equipment and/or production equipment, the failure to follow operating procedures, more stringent air quality regulations, or a change in interpretation and enforcement of applicable air quality laws and regulations could result in future enforcement actions.

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Safety and Health Regulation and Programs. Our New Mexico and Utah facilities are subject to the Federal Mine Safety and Health Act of 1977, the Occupational Safety and Health Act, related state statutes and regulations, or a combination of these laws.

The Mine Safety and Health Administration ("MSHA") is the governing agency for our New Mexico facilities. As required by MSHA for underground mines and attendant surface facilities, our New Mexico facilities are inspected by MSHA personnel regularly. Item 4 and Exhibit 95 to this Annual Report on Form 10-K provide information concerning mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K.

Our New Mexico facilities participate in MSHA's Region 8 "Partnership Program." There is a formally signed document and plan, pursuant to which each party commits to specific actions and behaviors. Examples of principles include working for an open, cooperative environment; agreeing to citation and conflict processes; and improving training.

Our New Mexico facilities are serviced by a trained mine rescue team, which is ready to respond to on-site incidents. The team practices and participates at state and federal events and competitions.

The Occupational Safety and Health Administration ("OSHA") is the governing agency relating to the safety standards at our Utah facilities, as well as our HB Solar Solution mine. Regular meetings are held covering various safety topics. Training and other certifications is provided to employees as needed based upon their work duties.

Remediation at Intrepid Facilities. Many of our current facilities have been in operation for a number of years. Operations by us and our predecessors have involved the historical use and handling of potash, salt, related potash and salt by-products, process tailings, hydrocarbons and other regulated substances. Some of these operations resulted, or may have resulted, in soil, surface water or groundwater contamination. At some locations, there are areas where process waste, building materials (including asbestos containing transite), and ordinary trash may have been disposed or buried, and have since been closed and covered with soil and other materials.

At many of these facilities, spills or other releases of regulated substances may have occurred previously and potentially could occur at any of our facilities in the future, possibly requiring us to undertake or fund cleanup efforts under CERCLA or state laws governing cleanup or disposal of hazardous and solid waste substances.

We work closely with governmental authorities to obtain the appropriate permits to address identified site conditions.

For example, buildings located at our facilities in both Utah and New Mexico have a type of siding that contains asbestos. We have adopted programs to encapsulate and stabilize portions of the siding through use of an adhesive spray and to remove the siding, replacing it with an asbestos-free material. Also, we have trained asbestos abatement crews that handle and dispose of the asbestos containing siding and related materials. We have a permitted asbestos landfill in Utah. We have worked closely with Utah officials to address asbestos related issues at our Moab mine. We are working with federal officials to resolve issues concerning the historic disposal of asbestos containing material at an unpermitted location at our West mine, which may require additional removal of the asbestos-containing material or another remedy.

Reclamation Obligations

Mining and processing of potash generates residual materials that must be managed both during the operation of the facility and upon facility reclamation and closure. Potash tailings, consisting primarily of salt and fine sediments, are stored in surface disposal sites. Some of these tailing materials may also include other contaminants that were introduced as reagents during historic processing methods, such as lead, that may require additional management and could cause additional disposal and reclamation requirements to be imposed. For example, at least one of our New Mexico mining facilities may have legacy issues regarding lead in the tailings pile resulting from production methods utilized prior to our acquisition of these assets. During the life of the tailings management areas, we have incurred and will continue to incur significant costs to manage potash residual materials in accordance with environmental laws and regulations and with permit requirements. Additional legal and permit requirements will take effect when these facilities are closed.

Our surface permits require us to reclaim property disturbed by operations at our facilities. Our operations in Utah and New Mexico have specific obligations related to reclamation of the land after mining and processing operations are concluded. The discounted present value of our estimated reclamation costs for our mines as of December 31, 2013, is approximately \$21.0 million, which is reflected in our financial statements. Various permits and authorization

documents negotiated with or issued by the appropriate governmental authorities include these estimated reclamation costs on an undiscounted basis. The undiscounted amount of our estimated reclamation costs for our mines as of December 31, 2013, is approximately \$54.9 million. During the year ended December 31, 2013, our estimate of our asset retirement obligations increased primarily as a result of the construction activity for our HB Solar Solution mine and our North compaction facility. We also revised our estimate to close mine shafts that are no longer in service, as well as our operating mine shafts.

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It is difficult to estimate and predict the potential actual costs and liabilities associated with remediation and reclamation, and there is no guarantee that we will not be identified in the future as potentially responsible for additional remediation and reclamation costs, either as a result of changes in existing laws and regulations or as a result of the identification of additional matters subject to remediation and/or reclamation obligations or liabilities.

Taxes and Insurance

Royalties and Other Taxes

The potash, langbeinite, and by-products we produce and sell from mineral leases are subject to royalty and other tax payments. We produce and sell from leased land owned by the U.S. Federal government, the states of New Mexico and Utah, and private landowners. The terms of the royalty payments are determined at the time of the issuance or renewal of the leases. Some royalties are determined as a fixed percentage of revenue and others are on a sliding scale that varies with the ore grade. Additionally, some of our leases are subject to overriding royalty interest payments paid to various owners. In 2013, we paid \$10.9 million, or an average of 4% of net sales, in royalties and other taxes.

Income Taxes

We are a subchapter C corporation and therefore are subject to U.S. federal and state income taxes. We recognize 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. We record a valuation allowance if it is deemed more likely than not that our deferred income tax assets will not be realized in full. Such determinations are subject to ongoing assessment.

Insurance

We maintain insurance policies covering general liability, property and business interruption, workers' compensation, business automobile, umbrella liability, aviation hull and liability, directors' and officers' liability and various ancillary and customary policies. Our policy periods are typically for one year. We evaluate our limits each year based on our exposures and risk tolerance. Generally, our premiums are adjusted to reflect the marketplace for insurance and changes in our exposures, inclusive of changes in invested capital and changes in the market values of the products we sell.

Seasonality

The sales patterns of our agricultural products are generally seasonal. Using averages of the monthly sales data over the last three years, our sales volumes are highest from March through October, which coincides with the spring and fall application seasons in the United States. Likewise, during the colder, winter months, our sales tend to be lower. The month-to-month seasonality of our sales is somewhat moderated due to the variety of crops, industries and geographies that we serve. We generally build inventories during the low demand periods of the year in order to ensure timely product availability during the peak sales seasons. The seasonality of fertilizer demand results in our sales volumes and net sales being the highest during the spring and our working capital requirements being the highest just before the start of the spring season. We have seen that the fertilizer dealers in North America have instituted practices that are designed to reduce their risk of changes in the price of fertilizer products through consignment type programs. These programs tend to make the timing of the spring and fall seasonal demand profile less predictable within the season.

Our quarterly financial results can vary from one year to the next due to weather related shifts in planting schedules and purchasing patterns.

Employees

As of December 31, 2013, we had 993 employees, the majority of which were full-time employees. In January 2014, we undertook several cost-savings initiatives, including a workforce reduction that impacted approximately 7% of our workforce. The goal of these cost-savings initiatives was to better align our cost structure with declining potash prices and the conclusion of our major capital projects.

We have a collective bargaining agreement with a labor organization representing our hourly employees in Wendover, Utah, which expires on May 31, 2014. This is the fifth agreement negotiated between us and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union 00867. We

do not anticipate any significant issues to arise as a result of the renewal of this agreement. We consider our relationships with our employees to be good.

Available Information

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We file or furnish with the SEC reports, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and any amendments to these reports. These reports are available free of charge on our website at www.intrepidpotash.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. These reports also can be obtained at www.sec.gov, or by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549, or by calling the SEC at 1-800-SEC-0330.

We routinely post important information about us and our business, including information about upcoming investor presentations, on our website under the Investor Relations tab. We encourage investors and other interested parties to enroll on our website to receive automatic email alerts or Really Simple Syndication (RSS) feeds regarding new postings. The information found on, or that can be accessed through, our website is not part of this or any other report we file with, or furnish to, the SEC.

Glossary of Terms

Designated Potash Area: A 497,000 acre location in southeastern New Mexico established by order of the U.S. Secretary of the Department of the Interior and administered by the BLM encompassing the United States' strategic potash reserve.

Langbeinite ($K_2SO_4(MgSO_4)_2$)—potassium magnesium sulfate: A generic term for the mineral double sulfate of potash magnesia, also sometimes referred to as sulfate of potash magnesia. The processing of ores containing langbeinite results in a concentrated double sulfate of potash magnesia, which we market for sale as Trio®.

Magnesium Chloride ($MgCl_2$): A by-product brine containing approximately 30% magnesium chloride that is typically used as a de-icing and de-dusting agent.

Metal Recovery Salt: Potash combined with salt in various ratios that chemically enhances the recovery of aluminum in aluminum recycling processing facilities.

Mill Feed Grade: A measurement of the amount of mineral contained in an ore as a percentage of the total weight of the ore. For potash it is often represented as percent of potassium oxide (K_2O) or percent potassium chloride (KCl).

MMBtu: A standard unit of measurement used to denote the amount of energy in fuels. Million British Thermal Units.

Potash: A generic term for potassium salts (primarily potassium chloride, but also potassium nitrate, potassium sulfate and sulfate of potash magnesia, or langbeinite) used predominantly and widely as a fertilizer in agricultural markets worldwide. Potash also has numerous industrial uses, including oil and gas drilling and stimulation fluids. The chloride containing potash salt is commonly called sylvite in the mineral form or muriate of potash in the product form. Unless otherwise indicated, references to “potash” refer to muriate of potash.

Potassium Chloride (KCl—muriate of potash): The most abundant, least expensive source of potassium on a delivered K_2O basis and the preferred source of potassium for fertilizer use, currently accounting for approximately 91% of total worldwide fertilizer use of K_2O . Commercial grades for fertilizer use are typically 95% to 98% potassium chloride, containing about 60% to 62% K_2O . Potassium chloride is the primary raw material used to produce industrial potassium hydroxide and its derivative salts, the most commercially important of which are potassium carbonate, potassium chromate, potassium permanganate and the potassium phosphates. It is also used as an intermediate in chemical synthesis routes to potassium sulfate and potassium nitrate. Muriate of potash is either red or white in appearance, depending on how it is processed.

Potassium Nitrate (KNO_3 —niter, saltpeter, nitrate of potash or sal prunella): A white crystalline salt. In the U.S., its use is limited but it is used as a nonchloride source of potash and nitrate nitrogen. The nutrient content of commercial, fertilizer grade material is about 13% to 14% nitrogen and 44% K_2O . Although potassium nitrate does exist as such in nature, there are no known large deposits of concentrated potassium nitrate containing minerals. Recovery of naturally occurring materials has been primarily from the crude sodium nitrate (caliche) beds in Chile. Potassium nitrate is referenced in the “potash” and “potassium chloride” terms above.

Potassium Oxide (K_2O): The potassium content of commercial fertilizers is expressed as percent potassium oxide (K_2O). Potassium oxide, however, is merely a customary means of reporting potassium content within the fertilizer industry on the N-P-K (nitrogen phosphorus potassium) numbers on the labels of fertilizers. Although K_2O is the formula for potassium oxide, potassium oxide is not used as a fertilizer. The potassium content of pure potassium

chloride fertilizer is expressed as 63% K_2O , which is the equivalent of 52.3% elemental K (potassium). In the soil, potassium chloride dissolves into potassium ions (K^+) and chloride ions (Cl^-). Percent potassium oxide (K_2O) is referenced in other terms in this glossary.

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Potassium Sulfate (K_2SO_4 —sulfate of potash or SOP): A crystalline salt that is derived directly from brines or synthesized from other potassium salts and minerals. Commercial grades for fertilizer use are usually 93% to 95% potassium sulfate, containing 50% to 51% K_2O . Potassium sulfate accounts for 6% of total worldwide potash fertilizer use. Potassium sulfate is referenced in the “potash” and “potassium chloride” terms above.

Probable (Indicated) Reserves: Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance of probable (indicated) reserves, although lower than that for proven (measured) reserves, is high enough to assume geological continuity between points of observation. The classification of minerals as probable reserves requires that Intrepid believe with reasonable certainty that access to the reserves can be obtained, even though currently issued permits are not required.

Productive Capacity: The estimated amount of potash production that will likely be achieved based on the amount and quality of ore that we estimate can currently be mined, milled, and/or processed, assuming an estimated average reserve grade, no modifications to the systems, a normal amount of scheduled down time, average or typical mine development efforts and operation of all of our mines and facilities at or near full capacity.

Proven (Measured) Reserves: Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well-defined that the size, shape, depth and mineral content of the reserves are well-established.

Recovery: The percentage of valuable material in the ore that is beneficiated prior to further treatment to develop a saleable product.

Reserve: That part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination.

Salt ($NaCl$ —sodium chloride): The salt industry is a commodity business with a heavy emphasis on price competition, which results in market boundaries being defined by delivered costs.

Solar Evaporation: A mineral concentration process by which brines containing salt, potash and magnesium chloride are collected into ponds, and solar energy is used to evaporate water thus crystallizing out the salt and potash contained in the brine. The resulting evaporate is then processed to separate the potash from the salt and subsequently prepared for sale.

Solution Mining: For potash, a mining process by which potash is extracted from mineralized beds by injecting a salt-saturated brine into a potash ore body and recovering a brine that is saturated in salt and also close to saturated in potash. The double mineral heavy brine is rich in potash that is brought to the surface for mineral recovery. Solution mining does not require men or machines to be underground.

Sulfate of Potash Magnesia ($K_2SO_4 \cdot 2MgSO_4$)—langbeinite or potassium magnesium sulfate: A double sulfate mineral containing potassium and magnesium sulfates. In the United States, sulfate of potash magnesia, which is produced by refining langbeinite ore, accounts for approximately 3% of potash fertilizer, based on 2011 estimates by the Association of American Plant Food Control Officials, Inc. Commercial products from the United States typically contain 22% K_2O , 11% magnesium and 22% sulfur. In Europe, a variety of these mixed salts is made from different ores, in grades ranging from 12% to 42% K_2O , 2% to 5% magnesium and 3% to 7% sulfur.

Tailings: Salt and insoluble minerals that remain after potash is removed from ore during processing, typically disposed of in a tailings pile.

Ton: A short ton, or a measurement of mass equal to 2,000 pounds. Unless expressly stated otherwise or the context otherwise requires, references to “tons” in this report refers to short tons.

Trio[®]: The product Intrepid markets for sale that is recovered from langbeinite ore and which serves as a low-chloride potassium, magnesium and sulfur bearing fertilizer primarily for use in citrus, vegetable, sugarcane and palm applications and as an animal feed supplement. This product is a double sulfate of potash magnesia concentrate containing approximately 95% langbeinite and 5% salt or other minerals.

Underground Mine: A mine that uses a method of extracting economically attractive mineralization from deeper deposits. Underground mining generally consists of multiple shafts and/or entry points and a network of tunnels to provide access to minerals and haulage and conveyance systems to transport materials to the surface. Underground

mining machines are used to remove the ore and a series of pillars are left behind to provide the appropriate level of ground support to ensure safe access and mining.

Executive Officers

The following section includes biographical information for our executive officers.

Name	Age	Position
Robert P. Jornayvaz III	55	Executive Chairman of the Board
David W. Honeyfield	47	President and Chief Financial Officer
Martin D. Litt	49	Executive Vice President, General Counsel and Secretary
James N. Whyte	55	Executive Vice President of Human Resources and Risk Management
John G. Mansanti	58	Senior Vice President of Operations
Kelvin G. Feist	46	Senior Vice President of Sales and Marketing
Brian D. Frantz	51	Vice President - Finance, Controller and Chief Accounting Officer

Robert P. Jornayvaz III has served as our Executive Chairman of the Board since May 2010. Mr. Jornayvaz served as our Chairman of the Board and Chief Executive Officer from our formation in November 2007 until May 2010. Mr. Jornayvaz served, directly or indirectly, as a manager of our predecessor, Intrepid Mining LLC, from 2000 until its dissolution at the time of our initial public offering (“IPO”) in 2008. Mr. Jornayvaz is the sole owner of Intrepid Production Corporation, which owns approximately 14% of our common stock. Mr. Jornayvaz has over 30 years of experience in the oil and gas industry and 15 years of experience in the potash industry.

David W. Honeyfield has served as our President since May 2010 and our Chief Financial Officer since March 2008. Mr. Honeyfield also served as our Executive Vice President and Secretary from March 2008 to May 2010 and as our Treasurer from March 2008 to December 2010. From 2003 to 2008, he held various positions with SM Energy Company (formerly St. Mary Land & Exploration Company), including Senior Vice President from 2007 to 2008, Chief Financial Officer from 2005 to 2008, and Vice President-Finance, Treasurer, and Secretary from 2003 to 2005. From 2002 to 2003, Mr. Honeyfield was Controller and Chief Accounting Officer of Key Production Company, Inc. and then Cimarex Energy Co., which acquired Key Production Company. From 1991 to 2002, Mr. Honeyfield was with Arthur Andersen LLP in Denver, most recently as a senior manager in the audit practice, serving clients primarily in the mining, oil and gas, and manufacturing sectors.

Martin D. Litt has served as our Executive Vice President and General Counsel since July 2008 and as our Secretary since January 2012. He began his legal career in 1991 with the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. In 1993, Mr. Litt joined the law firm of Holme Roberts & Owen LLP (now known as Bryan Cave LLP), where he served as a partner for nine years and a member of the firm’s Executive Committee, a committee responsible for managing the law firm. During his time at Holme Roberts & Owen LLP, Mr. Litt focused his practice on commercial litigation, antitrust matters, and general business counseling and served as outside counsel to us and Intrepid Mining LLC for approximately six years.

James N. Whyte has served as our Executive Vice President of Human Resources and Risk Management since December 2007. Mr. Whyte joined Intrepid Mining LLC as Vice President of Human Resources and Risk Management in 2004. Prior

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to joining Intrepid, Mr. Whyte spent 17 years in the property and casualty insurance industry including roles with Marsh and McLennan, Incorporated, American Re-Insurance, and a private insurance brokerage firms he founded. Mr. Whyte is a director of American Eagle Energy Corporation.

John G. Mansanti has served as our Senior Vice President of Operations since November 2011. Mr. Mansanti also served as our Vice President of Operations from October 2009 to November 2011. From 2006 to October 2009, Mr. Mansanti worked for Barrick Gold Corporation, a gold production company. From 2008 to 2009, Mr. Mansanti served as General Manager of Goldstrike Mines in Nevada, where he was responsible for managing Barrick's largest gold producer at approximately 1.7 million ounces a year. From 2006 to 2008, Mr. Mansanti served as General Manager at the Cortez Gold Mine in Nevada, where he was responsible for managing all aspects of operations and managing the engineering, underground development, and permitting associated with the Cortez Hills project. From 2003 to 2006, Mr. Mansanti served as General Manager at the Turquoise Ridge Joint Venture (a joint venture between Placer Dome Inc. and Newmont Mining Corporation).

Kelvin G. Feist has served as our Senior Vice President of Sales and Marketing since November 2011. Mr. Feist also served as our Vice President of Sales and Marketing from February 2011 to November 2011. From 1994 to January 2011, Mr. Feist held various positions with Agrium Inc., a provider of fertilizer products and services, and its subsidiaries, most recently as Director of Potash Marketing from July 2010 to January 2011 and National Account Manager from July 2007 to July 2010. While at Agrium, Mr. Feist was responsible for all marketing and sales programs related to Agrium's potash portfolio, including matters relating to production and logistics.

Brian D. Frantz has served as our Vice President-Finance since February 2012 and our Controller and Chief Accounting Officer since July 2010. From October 2008 to July 2010, Mr. Frantz served as Chief Financial Officer of Honnen Equipment Company, a private company specializing in selling and leasing construction equipment. In 2008, Mr. Frantz served as Chief Financial Officer of DWF Wholesale Florists Company, a national wholesale florist. From 1998 to 2007, Mr. Frantz held various positions at RE/MAX International, Inc., a private company engaged in the franchising of real estate brokerage businesses, most recently as Senior Vice President and Chief Financial Officer. From 1986 to 1998, Mr. Frantz was with Arthur Andersen LLP in Denver, most recently as a senior manager, serving public and private companies primarily in the cable television, manufacturing, mining, and real estate industries.

ITEM 1A. RISK FACTORS

Our future performance is subject to a variety of risks and uncertainties that could materially and adversely affect our business, financial condition, and results of operations, and the trading price of our common stock.

Risks Related to Our Business

Our potash sales are subject to price and demand volatility resulting from periodic imbalances of supply and demand, which could negatively affect our results of operations.

Historically, the market for potash has been cyclical, and the prices and demand for potash have fluctuated. Periods of high demand, increasing profits, and high-capacity utilization tend to lead to new plant investment and increased production. This growth continues until the market is over-saturated, leading to decreased prices and lower-capacity utilization until the cycle repeats. Furthermore, individual potash producers have, at various times, independently suspended production in response to delayed purchasing decisions by potash customers in anticipation of lower prices. As a result of these various factors, the prices and demand for potash can be volatile. This volatility could reduce profit margins and negatively affect our results of operations. We sell the majority of our potash into the spot market in the U.S. and generally have no long-term or material short-term contracts for the sale of potash. In addition, there is no active hedge market for potash as compared to many other commodities. As a result, we do not have and cannot obtain protection from this price and demand volatility.

Changes in fertilizer application rates could exacerbate the cyclical nature of the prices and demand for our products. Farmers attempt to apply the optimum amounts of fertilizer to maximize their economic returns. A farmer's decision about the application rate for each fertilizer, or the decision to forgo the application of a fertilizer, particularly potash

and Trio[®], varies from year to year depending on a number of factors. These factors include crop prices, weather patterns, fertilizer and other crop input costs, and the level of crop nutrients remaining in the soil following the previous harvest. Farmers are more likely to increase application rates of fertilizers when crop prices are relatively high, fertilizer and other crop input costs are relatively low, or the level of crop nutrients remaining in the soil is relatively low. Conversely, farmers are likely to reduce application of fertilizers when farm economics are weak or declining or the level of crop nutrients remaining in the soil is relatively high. This variability in application rates can impact the cyclical nature of the prices and demand for our products.

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In addition, farmers may buy and apply potash or Trio[®] in excess of current crop needs, which results in a build-up of potassium in the soil that can be used by crops in subsequent crop years. If this occurs, demand for our products could be delayed to future periods. If we fail to accurately predict this shift, we could have insufficient product available to meet the early demand and could lose sales to our competitors.

Aggressive pricing or operating strategies by other potash producers could adversely affect our sales and results of operations.

The potash industry is concentrated, with a relatively small number of producers accounting for the majority of global production. Many of these producers have significantly larger operations than we do and mine potash from reserves that are thicker, higher-grade, and less geologically complex than our reserves. These larger producers may have greater leverage in pricing negotiations with customers and may be able to negotiate better rates for transportation of products sold. They may also be able to mine their potash at a lower cost due to economies of scale or other competitive advantages. In addition, they may decide to pursue aggressive or new pricing or operating strategies that disrupt the global and U.S. potash markets. These disruptions could cause lower prices or demand for our product, which would adversely affect our sales and results of operations.

Some of our competitors have greater resources than we do, which could place us at a competitive disadvantage and adversely affect our sales and results of operations.

Some of our competitors have greater capital, human, and other resources than we do. Competition in the U.S. potash market is based on a number of considerations, including price, transportation costs, product quality, brand reputation, client service, and support. To remain competitive, we need to invest continuously in marketing activities, customer relationships, and production infrastructure to lower our production costs. We may have to adjust the prices of some of our products to stay competitive. We may also need to borrow funds and increase our leverage. We may not have sufficient resources to continue to make these investments or maintain our competitive position relative to some of our competitors that have greater resources than we do. To the extent other potash producers enjoy competitive advantages, the price of our products, our sales volumes, and our results of operations could be adversely affected. Adverse conditions in the global economy and disruptions in the financial markets could negatively affect our results of operations and financial condition.

The global economy continues to experience some volatility and uncertainty. This volatility and uncertainty can create uncertainty for farmers and customers in the geographic areas where we sell our products. If farmers, who are serviced by our customers, reduce, delay, or forego their potash and Trio[®] purchases due to this uncertainty, our results of operations would be adversely affected. Moreover, volatility and disruptions in the financial markets could limit our customers' ability to obtain adequate financing or credit to purchase and pay for our products, which would decrease our sales volume. Changes in governmental banking, monetary, and fiscal policies to restore liquidity and increase credit availability may not be effective. It is difficult to determine the extent of economic and financial market problems and the many ways in which they could negatively affect our customers and business. In addition, if we are required to raise additional capital or obtain additional credit during an economic downturn, we could be unable to do so on favorable terms or at all.

If we are required to write down the value of our inventories, our financial condition and results of operations would be adversely affected.

We carry our inventories at the lower of cost or market. In periods when the market prices for our products fall below our cost to produce them and the lower prices are not expected to be temporary, we could be required to write down the value of our inventories. Any write-down would adversely affect our financial condition and results of operations, possibly materially.

Mining is a complex process that frequently experiences production disruptions. Because of the nature of our operations, we could be more vulnerable to these disruptions than our competitors, which could adversely affect our results of operations.

The process of mining is complex. Production delays can occur due to equipment failures, unusual or unexpected geological conditions, environmental hazards, acts of nature, and other unexpected events or problems. In addition, we must transport mined ore for long distances to remove it from the mines for processing, which creates a higher probability of incidents. Other than our HB Solar Solution mine, our facilities have had long service lives and may

require more maintenance or be more likely to fail than newer facilities or equipment. For example, the shafts at our West mine were constructed in 1931, are located in an area of known subsidence, and require frequent maintenance due to water inflow, wooden structures, and salt build-up. Additionally, at our East mine, the mining of langbeinite ore, which is harder and more abrasive than sylvite ore, has caused greater wear on our equipment, thereby increasing the expense and frequency of maintenance and repairs. Operational

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difficulties can also arise from our milling processes. For example, the mill at our East mine experiences build-ups of complex salts, an undesirable by-product of langbeinite production that we must remove. In addition, the mixed ore body, which contains sulfates, can cause changes in brine chemistry that may impact potash production. Furthermore, production at our facilities is dependent upon the maintenance and geotechnical structural integrity of our tailings and storage ponds. The amounts that we are required to spend on maintenance and repairs may be significant and higher than expected, and we may have to divert resources from capital expenditures that are focused on growth to capital expenditures that are focused on maintenance. Production delays and stoppages, and higher-than-expected maintenance and repair expense, could have an adverse effect on our results of operations.

Mining is a hazardous process, and accidents occurring in the course of our operating activities could result in significant costs or production delays.

The process of mining is hazardous and involves various risks and hazards that can result in serious accidents. If unforeseen accidents or events occur, or if our safety procedures are not effective, we could be subject to liabilities arising out of personal injuries or death, our operations could be interrupted, or we could be required to shut down or abandon affected facilities. Accidents could cause us to expend significant amounts to remediate safety issues or repair damaged facilities.

Existing or expanded oil and gas development near our mines could result in methane gas leaking from an oil and gas well into our mines. We test our mines daily for methane gas. However, unlike coal mines, our mines are not constructed or equipped to deal with methane gas. Any intrusion of methane gas into our mines could cause an explosion resulting in loss of life or significant property damage or could require the suspension of all mining operations until the completion of extensive modifications and re-equipping of the mine. The costs of modifying our mines and equipment could make it uneconomical to reopen our mines. You can find more information about the co-development of potash and oil and gas resources in the Designated Potash Area under the risk factor below entitled "Existing and further oil and gas development in the Designated Potash Area could impair our potash reserves, which could adversely affect our financial condition or results of operations."

The grade of ore that we mine could vary from our projections due to the complex geology and mineralogy of potash reserves, which could adversely affect our potash production and our results of operations.

Our potash production is affected by the potassium content of the ore and the mineralogy of the ore. Our projections of ore grade vary from time to time, and the amount of potash that we produce could vary substantially from our projections. There are numerous uncertainties inherent in estimating ore grade, including many factors beyond our control. Potash ore bodies have complex geology. An unexpected reduction in the grade of our ore reserves would decrease our potash production because we would need to process more ore to produce the same amount of saleable-grade product. As a result, our results of operations would be adversely affected.

If the assumptions underlying our reserve estimates are inaccurate, the quantities and value of our reserves could be adversely affected, which could adversely affect our financial condition and results of operations.

There are numerous uncertainties inherent in estimating our potash and langbeinite reserves. As a result, our reserve estimates necessarily depend upon a number of assumptions, including the following:

- geologic and mining conditions, which may not be fully identified by available exploration data and may differ from our experiences in areas where we currently mine or operate
- future potash prices, operating costs, capital expenditures, royalties, severance and excise taxes, and development and reclamation costs
- future mining technology improvements
- the effects of governmental regulation
- variations in mineralogy

In addition, because reserves are only estimates built on various assumptions, they cannot be audited for the purpose of verifying exactness. It is only after extraction that reserve estimates can be compared to actual values to adjust estimates of the remaining reserves. Reserve information is reviewed by a geologist, mine engineer, and process engineer in sufficient detail to determine if, in the aggregate, the data provided by us are reasonable and sufficient to

estimate reserves in conformity with practices and standards generally employed by and within the mining industry and in accordance with SEC requirements. If any of the assumptions that we make in connection with our reserve estimates are incorrect, the amounts of potash and langbeinite that we are able to economically recover from our mines could be significantly lower than our reserve estimates. In turn, our financial condition and results of operations could be adversely affected.

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The seasonal demand for our products, and the resulting variations in our cash flows from quarter to quarter, could have an adverse effect on our results of operations and working capital requirements.

The fertilizer business is seasonal. The degree of seasonality can change significantly from one year to the next due to weather-related shifts in planting schedules and purchasing patterns. We and our customers generally build inventories during low-demand periods of the year to ensure timely product availability during high-demand periods. We typically experience increased sales during the North American spring season and fall harvest and increased working capital requirements just before the starts of these seasons. Likewise, during the colder, winter months our sales tend to be lower. If seasonal demand is higher than we expect, our customers may shift some or all of their business to our competitors. In contrast, if seasonal demand is less than we expect, we may be left with excess inventory and higher working capital and liquidity requirements. In addition, if prices decrease rapidly, we may need to write down the value of our inventories.

Changes in laws and regulations affecting our business, or changes in enforcement practices with respect to those laws and regulations, could have an adverse effect on our financial condition or results of operations.

We are subject to numerous federal and state laws and regulations covering a wide variety of subject matters.

Changes in these laws or regulations could require us to modify our operations, objectives, or reporting practices in ways that adversely impact our financial condition or results of operations. In addition, new laws and regulations, or new interpretations of or enforcement practices with respect to existing laws and regulations, could similarly impact our business.

For example, we are subject to significant regulation under MSHA and OSHA. High-profile mining accidents could prompt governmental authorities to enact new laws and regulations that apply to our operations or to more strictly enforce existing laws and regulations.

Climate change legislation and the physical effects of climate change could have a negative effect on our operations and results of operations.

There is a continuing discussion that emissions of greenhouse gases could be altering the composition of the global atmosphere in ways that could be affecting the global climate. Federal and state legislators and regulators regularly consider ways to reduce these emissions. Any new rules could have a significant impact on our operations and products and could result in substantial additional costs for us.

The potential physical effects of climate change could also have an adverse effect on us and our customers. These effects could include changes in weather patterns (including drought and rainfall levels), water availability, storm patterns and intensities, and temperature levels. These changes could have an adverse effect on our costs, production, or sales. These changes could also have an adverse effect on our customers, which in turn could reduce the demand or price for our products. For example, droughts or floods could decrease the amount of arable land in our markets, thereby decreasing demand for our products.

Our business depends on skilled and experienced workers, and our inability to find and retain quality workers could have an adverse effect on our development and results of operations.

The success of our business depends on our ability to attract and retain skilled managers, engineers, and other employees and contractors. At times, we may not be able to find or retain qualified employees or contractors. In particular, the labor market around Carlsbad, New Mexico, is very competitive and employee turnover is generally high. In that market, we compete for experienced laborers with several other employers, including natural resource facilities, oil fields, and other potash facilities. In addition, there is high demand globally for technical mining talent. If we are not able to attract and retain quality workers, the development of our business could suffer or we could be required to raise wages to keep our employees, hire less qualified workers, or incur higher training costs. The occurrence of any of these events could have an adverse effect on our results of operations.

Changes in the prices of energy and other important materials used in our business, or disruptions to their supply, could adversely impact our sales, results of operations, or financial condition.

Natural gas, electricity, steel, water, chemicals, diesel, and gasoline are key materials that we purchase and use in the production of our products. The prices of these commodities are volatile.

Our sales and profitability are impacted by the price and availability of these materials. A significant increase in the price of these materials that is not recovered through an increase in the price of our products, or an extended interruption in the supply of these materials to our production facilities, could adversely affect our results of operations or financial condition. In addition, high natural gas or other fuel costs could increase crop input costs for farmers, which could cause our sales to decline. We could also lose sales to competitors with lower production costs, and our profitability could be adversely affected. In

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addition, our capital expenditure forecasts are based on a variety of assumptions, including assumptions about the prices of input commodities. If input commodity prices are higher than we expected, our capital expenditures could increase.

Any decline in U.S. agricultural production or any limitations on the use of our products for agricultural purposes could adversely affect the markets for our products and our results of operations.

The U.S. agricultural industry can be affected by a number of factors, including weather patterns, field conditions, current and projected grain inventories and prices, the domestic and international demand for U.S. agricultural products, and U.S. and foreign policies regarding trade in agricultural products. State and federal governmental policies, including farm and ethanol subsidies and commodity support programs, may also directly or indirectly influence the number of acres planted, the mix of crops planted, and the use of fertilizers for particular agricultural applications. In addition, there are various city, county, and state initiatives to regulate the use and application of fertilizers due to various environmental concerns. If U.S. agricultural production or fertilizer use decreased significantly due to one or more of these factors, our results of operations could be adversely affected.

A decline in oil and gas drilling or a reduction in the use of potash in drilling fluids in the Permian Basin or Rocky Mountain regions could increase our operating costs and decrease our average net realized sales price of potash.

A significant portion of our sales consists of sales of standard-sized potash for use in oil and gas drilling fluids in the Permian Basin and Rocky Mountain regions. A decline in oil and gas drilling could reduce our sales into this industrial market. In addition, alternative products that have some of the same clay-inhibiting properties that potash has are commercially available. Depending upon the prices of these alternative products as compared to the price of potash, these alternative products could temporarily or permanently replace some of our sales into the industrial market. If a significant amount of sales shifted from the industrial market to the agricultural market due to any of these factors, our average net realized sales price of potash could decline. This is because our agricultural sales generally require more costly transportation to more distant delivery points. In addition, we could be required to incur additional costs to compact the standard-sized product into the granular-sized product favored in agriculture.

Increased costs could affect our per-ton profitability.

Costs at our facilities may vary due to a number of factors, including changing ore grade, revisions to mine plans, and location of the ore bodies. A substantial portion of our operating costs is comprised of fixed costs that do not vary based on production levels. These fixed costs include labor and benefits, base energy usage, property taxes, insurance, maintenance expenditures, and depreciation. Any increase in fixed costs or decrease in production generally increases our per-ton costs and correspondingly decreases our per-ton operating margin. As a result, a significant increase in costs at any of our facilities could have an adverse effect on our profitability and cash flows, particularly during periods of decreasing potash prices.

A shortage of railcars or trucks for transporting our products, increased transit times, or interruptions in railcar or truck transportation could result in customer dissatisfaction, loss of sales, higher transportation or equipment costs, or disruptions in production.

We rely heavily upon truck and rail transportation to deliver our products to our customers. In addition, the cost of transportation is an important component of the price of our products. Identifying and securing affordable and dependable transportation is important in supplying our customers and, to some extent, in avoiding delays in the delivery to us of supplies and equipment necessary for our operations. A shortage of trucks or railcars for carrying product or increased transit times due to accidents, highway or railway disruptions, congestion, high demand, labor disputes, adverse weather, natural disasters, changes to transportation systems, or other events could prevent us from making timely delivery to our customers or lead to higher transportation costs. As a result, we could experience customer dissatisfaction or a loss of sales. Similarly, disruption within the transportation systems could negatively affect our ability to obtain the supplies and equipment necessary to produce our products. We may also have difficulty obtaining access to ships to deliver our products to overseas customers.

We rely on our management personnel for the development and execution of our business strategy, and the loss of one or more members of our management team could harm our business.

Our management personnel have significant relevant industry and company-specific experience. Our senior management team has developed and implemented first-of-their-kind processes and other innovative ideas that are

largely responsible for the success of our business. If we are unable to retain these individuals, our operations could be disrupted and we may be unable to achieve our business strategies and grow effectively. We do not currently maintain “key person” life insurance on any of our management personnel.

Weakening of the Canadian dollar and Russian ruble against the U.S. dollar could lead to lower domestic potash prices, which would adversely affect our results of operations. Fluctuations in these currencies could cause our results of operations to fluctuate.

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The U.S. imports the majority of its potash from Canada and Russia. If the Canadian dollar and the Russian ruble strengthen in comparison to the U.S. dollar, foreign suppliers realize a smaller margin in their local currencies unless they increase their nominal U.S. dollar prices. Strengthening of the Canadian dollar and Russian ruble therefore tend to support higher U.S. potash prices as Canadian and Russian potash producers attempt to maintain their margins. However, if the Canadian dollar and Russian ruble weaken in comparison to the U.S. dollar, foreign competitors may choose to lower prices proportionally to increase sales volumes while again maintaining a margin in their local currency. These activities could cause our sales prices and results of operations to decrease or fluctuate significantly. Existing and further oil and gas development in the Designated Potash Area could impair our potash reserves, which could adversely affect our financial condition or results of operations.

The U.S. Department of the Interior regulates the development of federal mineral resources-both potash and oil and gas-on federal lands in the Designated Potash Area. This 497,000-acre region outside of Carlsbad, New Mexico, includes all of our New Mexico operations and facilities. In December 2012, the U.S. Department of the Interior issued an updated order that provides guidance to the BLM and industry on the co-development of these resources.

Even under the new order, it is possible that oil and gas drilling in this area could limit our ability to mine valuable potash reserves or mineralized deposits because of setbacks from oil and gas wells and the establishment of unminable buffer areas around oil or gas wells. It is also possible that the BLM could determine that the size of these unminable buffer areas should be larger than they are currently, which could impact our ability to mine our potash reserves. We review applications for permits to drill oil and gas wells as they are publicly disclosed by the BLM and the State of New Mexico Oil and Gas Conservation Commission. When appropriate, we protest applications for drilling permits that we believe should not be drilled consistent with the operative federal and state rules and that could impair our ability to mine our potash reserves or put at risk the safety of our potash miners. We may not prevail in these protests or be able to prevent wells from being drilled in the vicinity of our potash reserves. If, notwithstanding our protests and appeals, a sufficient number of wells are drilled through or near our potash reserves, our potash reserves could be significantly impaired, which could adversely affect our financial condition or results of operations.

If we are unable to obtain and maintain the required permits, governmental approvals, and leases necessary for our operations, our business could be adversely affected.

We hold numerous governmental, environmental, mining, safety, and other permits and approvals authorizing the operations at each of our facilities. A decision by a governmental agency to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could prevent or limit us from continuing our operations at the affected facility, which could have an adverse effect on our business, financial condition, and results of operations.

Any expansion of our existing operations would also require us to secure the necessary environmental and other permits and approvals. We may not be able to obtain these permits and approvals in a timely manner or at all. In addition, the federal government must consider and study a project's likely environmental impacts. Based on the federal government's conclusion, it could require an environmental assessment or an environmental impact statement as a condition of approving a project or permit, which could result in significant time delays and costs. Furthermore, many of our operations take place on land that is leased from federal and state governmental authorities. Expansion of our existing operations could require securing additional federal and state leases. We may not be able to obtain these leases in a timely manner or at all. In addition, our existing leases generally require us to commence mining operations within a specified time frame and to continue mining in order to retain the lease. The loss of a lease could adversely affect our ability to mine the associated reserves.

Also, our existing leases require us to make royalty payments based on the revenue generated by the potash we produce from the leased land. The royalty rates are subject to change whenever we renew our leases, which could lead to significant increases in these rates. As of December 31, 2013, approximately 11% of our state and federal lease acres at our New Mexico facilities (including leases at the HB and North mines) and none of our state and federal lease acres at our Utah operations will be up for renewal within the next five years. Increases in royalty rates would reduce our profit margins and, if the increases were significant, would adversely affect our results of operations.

The execution of our strategic projects, including our new HB Solar Solution mine, could require more time and costs than we expect, which could adversely affect our results of operations and financial condition.

After several years of design and construction, we have completed initial construction of the HB Solar Solution mine and are in the initial commissioning phases for the project. Initial commissioning of the processing plant will continue through much of 2014. We expect production from the HB Solar Solution mine to ramp up throughout 2014, with full production rates

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beginning with the harvest in the second half of 2015, assuming the benefit of an average annual evaporation cycle applied to full evaporation ponds.

Final completion and commissioning of the HB Solar Solution mine could involve significant costs and risks. Commissioning of the mine, processing plant, and associated infrastructure could take longer or cost more than we expect. The anticipated production schedule could be impacted by a variety of factors, including the length and success of the commissioning process, the rate of injection into the mines, and the weather. In addition, the level of production from the mine might not be as we anticipate. We may be unable to produce potash economically from the HB Solar Solution mine, or our profitability from the project could be lower than we expect.

From time to time, we invest time and money into other strategic projects. The completion of these projects, which includes commissioning, could require significantly more time and costs than we expect. In some cases, the construction or commissioning processes could force us to slow or shut down normal operations at the affected facility for a period of time, which would cause lower production volumes and higher production costs per ton. In addition, our management team and other employees may be required to spend a significant amount of time addressing strategic projects, which could mean that our normal operations receive less time and attention. We are considering various other potential opportunities for revenue and strategic growth, including potentially reopening the idled North mine or solution mining the Amax/Horizon mine. These potential projects are at an early stage, and we may not proceed with any of them. Even if we proceed with one or more future strategic projects, they may not succeed despite substantial investments, they may cost significantly more than we expect, or we may encounter additional risks that we did not initially expect.

New long-term product supply can create structural market imbalances, which could negatively affect our results of operations and financial condition.

Potash is a commodity, and the market for potash is highly competitive and affected by global supply and demand. At times, producers engage in aggressive expansion and development projects to increase production. Many of these projects to increase potash production on a long-term basis are speculative. However, if potash production is increased beyond potash demand, the price at which we sell our potash and our sales volume would likely fall, which would adversely affect our results of operations and financial condition.

The market for langbeinite is still developing, and our Trio[®] sales could be affected by new market entrants or the introduction of langbeinite alternatives.

Langbeinite, a low-chloride source of potassium, is produced by Intrepid and one other company from the only known langbeinite reserves in the world located near Carlsbad, New Mexico. The demand for langbeinite has been limited due mostly to its limited availability. It is difficult to determine how the supply, demand, and pricing for langbeinite will develop. Furthermore, additional competition in the market for langbeinite and comparable products exists and could increase in the future. A German company is currently producing a low-chloride fertilizer similar to langbeinite, and Chinese producers are working on a project to synthesize a product similar to langbeinite from brines. Other companies could seek to create and market chemically similar alternatives to langbeinite. The market for langbeinite and our Trio[®] sales could be affected by the success of these and other products that are competitive with langbeinite, which could adversely affect the viability of our Trio[®] business and our results of operations and financial condition. We are less diversified than nearly all of our competitors, and a decrease in the demand for potash and langbeinite or an increase in potash supply could have an adverse effect on our financial condition and results of operations.

We are dedicated exclusively to the production and marketing of potash and langbeinite, whereas nearly all of our competitors are diversified, primarily into nitrogen- or phosphate-based fertilizer businesses or other chemical or industrial businesses. Because we are focused exclusively on potash and langbeinite, and because we sell our products primarily within the U.S., we could be impacted more acutely by factors affecting our industry or the regions in which we operate than we would if our business was more diversified and our sales more global. A decrease in the demand for potash and langbeinite could have an adverse effect on our financial condition and results of operations. Similarly, a large increase in potash supply could also impact our financial condition more than our diversified competitors.

Inflows of water into our potash mines from heavy rainfall or groundwater could result in increased costs and production downtime and could require us to abandon a mine, any of which could adversely affect our results of operations.

Major weather events such as heavy rainfall can result in water inflows into our mines. The potential effects of climate change may increase the possibility of heavy rainfall that results in water inflows into our mines. In October 2006, water inflows from rainfall caused unused utilities in a mine shaft at our West mine to break loose and block the mine shaft. As a result, we were forced to shut down the West mine for 54 days to remove the utilities and improve water controls in the shaft. The shutdown significantly lowered our 2006 potash production from the West mine. Additionally, the presence of water-

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bearing strata in many underground mines carries the risk of water inflows into the mines. If we experience water inflows at our mines, our employees could be injured and our equipment and mine shafts could be seriously damaged. We could be forced to shut down the affected mine temporarily, potentially resulting in significant production delays, and spend substantial funds to repair or replace damaged equipment. Inflows may also destabilize the mine shafts over time, resulting in safety hazards for employees and potentially leading to the permanent abandonment of a mine. Heavy fall precipitation or low evaporation rates at our solar solution mines could delay our potash production at those facilities, which could adversely affect our sales and results of operations.

Our Moab and Wendover facilities and our new HB Solar Solution mine use solar evaporation ponds to form potash crystals from brines. Weather conditions could negatively impact potash production at these facilities. For example, heavy rainfall in September and October, just after the evaporation season ends, would temporarily reduce the amount of potash we can produce by causing the potash crystals to dissolve and consume pond capacity. Similarly, lower-than-average temperatures or higher-than-average seasonal rainfall would reduce evaporation rates and therefore delay production. The potential effects of climate change may increase the possibility of adverse weather conditions. If we experience heavy rainfall or low evaporation rates at any of our solar solution mines, we would have less potash available for sale, and our sales and results of operations could be adversely affected. As we increase the level of production associated with our use of solar ponds, our production risks related to rainfall and evaporation rates increase.

Environmental laws and regulations could subject us to significant liability and require us to incur additional costs. We are subject to many environmental, safety, and health laws and regulations, including laws and regulations relating to mine safety, mine land reclamation, remediation of hazardous substance releases, and discharges into the soil, air, and water. Our operations, as well as those of our predecessors, have involved the use and handling of regulated substances, hydrocarbons, potash, salt, related potash and salt by-products, and process tailings. These operations resulted, or may have resulted, in soil, surface water, and groundwater contamination. At some locations, salt-processing waste, building materials (including asbestos-containing material), and ordinary trash may have been disposed or buried in areas that have since been closed and covered with soil and other materials. Under environmental remediation laws such as CERCLA, liability is imposed on certain categories of persons who are considered to have contributed to the release of hazardous substances into the environment, without regard to fault or the legality of a party's conduct. We could incur significant liabilities under CERCLA and other environmental remediation laws, with regard to our current or former facilities, adjacent or nearby third party facilities, or off-site disposal locations. Under CERCLA or similar state laws, one party may, under some circumstances, be required to bear more than its proportional share of cleanup costs at a site where it has liability if payments cannot be obtained from other responsible parties. Liability under these laws involves inherent uncertainties.

In the past, governmental agencies have required us to undertake remedial activities to address identified site conditions. For example, we have worked with Utah officials to address asbestos-related issues at our Moab mine. Many of our facilities also contain permitted asbestos landfills, some of which have been closed. Additionally, we are currently working with federal officials to resolve issues concerning the historic disposal of asbestos-containing material at an unpermitted location at our West mine, which may require additional removal of asbestos-containing material, a land swap, and/or another remedy.

We are also subject to federal and state environmental laws that regulate discharges of pollutants and contaminants into the environment, such as the U.S. Clean Water Act and the U.S. Clean Air Act. For example, our water disposal processes rely on dikes and reclamation ponds that could breach or leak, resulting in a possible prohibited release into the environment. Moreover, although the North and East mines in New Mexico and the Moab mine in Utah are designated as zero discharge facilities under the applicable water quality laws and regulations, these mines could experience some water discharges during significant rainfall events.

We expect that we will be required to continue to invest in environmental controls at our facilities and that these expenses could be significant. In addition, violations environmental, health, and safety laws could subject us to civil, and in some cases, criminal sanctions. We could also be required to invest in additional equipment, facilities, or employees, or could incur significant liabilities, due to any of the following:

- changes in the interpretation of environmental laws

- modifications to current environmental laws
- the issuance of more stringent environmental laws
- malfunctioning process or pollution control equipment

Mining and processing of potash also generates residual materials that must be managed both during the operation of the facility and upon facility closure. For example, potash tailings, consisting primarily of salt, iron, and clay, are stored in

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surface disposal sites and require management. At least one of our New Mexico facilities, the HB Solar Solution mine, may have issues regarding lead in the tailings pile as a result of operations conducted by previous owners. During the life of the tailings management areas, we have incurred and will continue to incur significant costs to manage potash residual materials in accordance with environmental laws and regulations and permit requirements.

As a potash producer, we currently are exempt from certain State of New Mexico mining laws related to reclamation obligations. If this exemption were to be eliminated or restricted, we could be required to incur significant expenses related to reclamation at our New Mexico facilities.

For more information about environmental, health, and safety matters affecting our business, see “Business-Environmental, Health and Safety Matters.”

Current and future indebtedness could adversely affect our financial condition and impair our ability to operate our business.

In April 2013, we issued \$150 million aggregate principal amount of unsecured senior notes (“the Notes”). We also have an unsecured credit facility that allows us to borrow up to an additional \$250 million. As of January 31, 2013, we had advances outstanding under the facility of \$10 million and we expect to have advances outstanding under the facility periodically during 2014. The total amount available to us under the facility as of December 31, 2013, was limited to \$222 million. Based on current market conditions and expectations of lower levels of adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, and certain other expenses, as defined in the credit facility), we expect that the total amount available to us under the facility will be substantially reduced during 2014. We believe the amounts available to us will be adequate to fund our operations and our capital investment projects.

Current and future indebtedness could have important consequences, including the following:

- it could limit our ability to borrow additional money or sell additional shares of common stock to fund our working capital, capital expenditures, and debt service requirements
- it could limit our flexibility in planning for, or reacting to, changes in our business
- we could become more highly leveraged than some of our competitors, which could place us at a competitive disadvantage
- it could make us more vulnerable to a downturn in our business or the economy
- it could require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness, thereby reducing the availability of our cash flow for other purposes
- it could adversely affect our business and financial condition if we are unable to service our indebtedness or obtain additional financing, as needed

Our debt agreements contain financial and other restrictive covenants. These covenants could limit our ability to engage in activities that are in our long-term best interests or limit our ability to access the full amount of the credit facility. In addition, our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all outstanding indebtedness. The credit facility contains two financial covenants. First, our leverage ratio, or the ratio of our total funded indebtedness to our adjusted EBITDA, for the prior four fiscal quarters may not exceed 3.5 to 1. Second, our fixed charge coverage ratio, or the ratio of our adjusted EBITDA to fixed charges for the prior four fiscal quarters may not fall below 1.3 to 1. We are currently in compliance with each of these financial covenants. If our adjusted EBITDA decreased significantly over several quarters with no change to indebtedness or our fixed charges, our leverage ratio could rise or our fixed charge coverage ratio could fall to levels where some or all of the \$250 million under the credit facility would not be available to us or where any amounts outstanding would become immediately due and payable.

The credit facility is scheduled to expire in 2018 and the Notes are due in 2020, 2023, and 2025. In the future, we may be unable to obtain new financing or financing on acceptable terms.

The mining business is capital intensive, and our inability to fund necessary or desirable capital expenditures could have an adverse effect on our growth and profitability.

The mining business is capital intensive. We may find it necessary or desirable to make significant capital expenditures in the future to sustain or expand our existing operations. Materials and construction costs associated with capital expenditures have escalated on an industry-wide basis over the last several years, largely as a result of

major factors beyond our control such as increases in the price of steel and other commodities. As costs associated with capital expenditures continue to increase, we could have difficulty funding any necessary or desirable capital expenditures at an acceptable rate or at all. This could limit the expansion of our production or make it difficult for us to sustain our existing operations at optimal levels. Increased costs for capital expenditures could also have an adverse effect on the profitability of our existing operations and returns from our most recent strategic projects.

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Market upheavals due to global pandemics, military actions, terrorist attacks, or economic repercussions from those events could reduce our sales or increase our costs.

Global pandemics, actual or threatened armed conflicts, terrorist attacks, or military or trade disruptions affecting the areas where we or our competitors do business could disrupt the global market for potash. As a result, our competitors may increase their sales efforts in our geographic markets and pricing of potash could suffer. If this occurs, we could lose sales to our competitors or be forced to lower our prices. In addition, due to concerns related to terrorism or the potential use of certain fertilizers as explosives, local, state, and federal governments could implement new regulations impacting the production, transportation, sale, or use of potash. These new regulations could result in lower sales or higher costs.

A significant disruption to our information technology systems could adversely affect our business and operating results.

We rely on a variety of information technology and automated operating systems to manage or support our operations. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems could require modifications or upgrades as of a result of technological changes or growth in our business. These changes could be costly and disruptive to our operations, and could impose substantial demands on management time. Our systems, and those of third party providers, also could be vulnerable to damage or disruption caused by circumstances beyond our control such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access, and cyber-attacks. Although we take steps to secure our systems and electronic information, these security measures may not be adequate. Any significant disruption to our systems could adversely affect our business and operating results. Our business may be adversely affected by union activities.

Hourly employees at our Wendover facility are represented by a labor union. These employees represent approximately 4% of our workforce. Our current collective bargaining agreement with the union expires on May 31, 2014. Although we believe that our relations with our unionized employees are good, we may not be successful in negotiating a new collective bargaining agreement as a result of general economic, financial, competitive, legislative, political, and other factors beyond our control. Any new agreement could result in a significant increase in our labor costs. In addition, a breakdown in negotiations could disrupt our Wendover operations.

From time to time, efforts have been made to unionize employees at our other facilities. Additional unionization efforts could disrupt our business, consume management attention, or increase our operating costs. In addition, if these efforts were successful, we could experience increased labor costs, an increased risk of work stoppages, and limits on our flexibility to run our business in the most efficient manner to remain competitive.

Risks Related to our Common Stock

The price of our common stock may be volatile and you could lose all or part of your investment.

Securities markets experience significant price and volume fluctuations due to general economic and market conditions and other factors outside our control. This market volatility could cause the price of our common stock to decline significantly and without regard to our operating performance. Other factors that could affect the price of our common stock include the following:

- our operating performance and the performance of our competitors
- the public's reaction to our press releases, our other public announcements and our filings with the SEC
- changes in earnings estimates or recommendations by research analysts who follow Intrepid or other companies in our industry
- variations in general economic, market, and political conditions
- actions of our current stockholders, including sales of common stock by our directors and executive officers
- the arrival or departure of key personnel
- other developments affecting us, our industry, or our competitors
- the other risks described in this report

If our stock price declines due to one or more of these factors, you may not be able to sell your shares at or above the price you paid for them.

We may issue additional securities, including securities that are senior in right of dividends, liquidation, and voting to our common stock, without your approval, which would dilute your existing ownership interests. Our board of directors may issue shares of preferred stock or additional shares of common stock without the approval of our stockholders, except as may be required by applicable New York Stock Exchange (“NYSE”) rules. Our board of

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directors may approve the issuance of preferred stock with terms that are senior to our common stock in right of dividends, liquidation or voting. Our issuance of additional common shares or other equity securities of equal or senior rank will have the following effects:

- our pre-existing stockholders' proportionate ownership interest in us will decrease
- the relative voting strength of each previously outstanding common share may be diminished
- the market price of the common stock may decline

Future sales of our common stock, or the perception that future sales may occur, could depress our common stock price.

Sales of a substantial number of shares of our common stock, including sales by our directors or executive officers, or the perception that these sales may occur, could depress the market price of our common stock. We cannot predict the effect, if any, that future sales of shares of our common stock would have on the market price of our common stock.

We do not intend to pay regular dividends for the foreseeable future.

We paid a one-time, special cash dividend of \$0.75 per share to our common stockholders in December 2012. For the foreseeable future, we intend to retain future earnings to finance the development and expansion of our business, and we do not anticipate paying regular cash dividends on our common stock.

Provisions in our charter documents and Delaware law may delay or prevent a third party from acquiring us.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various barriers to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, our current certificate of incorporation and bylaws contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions may make it more difficult or expensive for a third party to acquire a majority of our outstanding common stock. Among other things, these provisions provide for the following:

- allow our board of directors to create and issue preferred stock with rights senior to those of our common stock without prior stockholder approval, except as may be required by applicable NYSE rules
- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates
- prohibit stockholders from calling special meetings of stockholders
- prohibit stockholders from acting by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders
- require vacancies and newly created directorships on the board of directors to be filled only by affirmative vote of a majority of the directors then serving on the board
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting
- classify our board of directors so that only some of our directors are elected each year

These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price of the common stock they own.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Properties

Our potash production currently comes from six facilities—four near Carlsbad, New Mexico and two in Utah, all of which we own and operate. Our active producing facilities near Carlsbad include the West mine and East mine, both of which are conventional underground mines, and the North compaction plant which processes potash from the West mine.

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The HB Solar Solution mine recently began producing potash from the initial harvest. Our facilities in Utah are the Moab mine, consisting of a solution mine, solar evaporation ponds and a process plant located near Moab, and the Wendover facility, consisting of a brine collection system, solar evaporation ponds, and process plant located near Wendover.

We control the rights to mine approximately 130,000 acres of land northeast of Carlsbad, New Mexico. We lease approximately 32,000 acres from the state of New Mexico, approximately 98,000 acres from the federal government through the BLM, and approximately 240 acres from private leaseholders.

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We control the rights to mine approximately 10,300 acres of land west of Moab, Utah. We lease approximately 10,100 acres from the state of Utah and approximately 200 acres from the BLM. We own approximately 3,700 surface acres overlying and adjacent to portions of our mining leases with the state of Utah.

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We control the rights to mine approximately 88,000 acres of land near Wendover, Utah. We own approximately 57,000 acres, and we lease approximately 6,000 acres from the state of Utah and approximately 25,000 acres from the federal government through the BLM.

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We conduct most of our mining operations on properties that we lease from the state or federal government. These leases generally contain stipulations that require us to commence mining operations within a specified term and continue mining to retain the lease.

The stipulations on our leases are subject to periodic readjustment by the state and federal government. The lease stipulations could change in the future, which could impact the economics of our operations. Our federal leases are subject to readjustment of the lease stipulations, including the royalty payable to the federal government, every 20 years. Our leases with the state of New Mexico are issued for terms of ten years and for as long thereafter as potash is produced in commercial quantities and are subject to readjustment of the lease stipulations, including the royalty payable to the state. Our leases with the state of Utah are for terms of ten years subject to extension and possible readjustment of the lease by the state of Utah. Our leases for our Moab mine are operated as a unit under a unit agreement with the state of Utah, which extends the terms of all of the leases as long as operations are conducted on any portion of the leases. The term of the state leases for our Moab mine is currently extended until 2014 or so long as potash is being produced. Our federal leases are for indefinite terms subject to readjustment every 20 years. As of December 31, 2013, approximately 11% of our state, federal, and private lease acres at our New Mexico facilities (including leases at the HB Solar Solution and North mines) will be up for renewal within the next five years. None of our state and federal lease acres at our Utah operations will be up for renewal within the next five years.

We pay royalties to the state and federal governments and private leaseholds for potash, langbeinite, and by-products produced from our leases. The royalty rates on our state and federal leases in New Mexico are currently set at various rates from 2.0% to 5.0%. The royalty rates for the private leaseholds are between 5.0% and 8.0%. The royalty rates on our state and federal leases in Utah are currently set at rates from 2.0% to 5.0%.

We have water rights at each of our mine properties that we believe are adequate for our needs. All of our mining operations are accessible by paved state or county highways and are accessible by rail. All of our operations obtain electric power from local utilities.

Our mines, plants, and equipment have been in substantially continuous operation since the dates indicated in the chart entitled Proven and Probable Reserves on the following pages; and our mineral development assets, mills, and equipment have been acquired over the interval since these dates.

The HB Solar Solution mine, while previously operated as a conventional underground mine, began operating as a solar solution mine in 2013 with commercial quantities of production beginning in early 2014.

As noted, we have relatively long-lived proven and probable reserves and consequently expect to conduct limited and focused additional exploration in the coming five years. We plan to drill core holes on occasion in areas near our Carlsbad, New Mexico, operations that are located in the Designated Potash Area, in order to further define the ore body. Development of the underground mines is expected to be coincident with the continued advancement of ore zones. Development of the solution mine and brine evaporation operations is expected to be enhanced by the drilling of additional wells. We are considering rehabilitation of the shafts at the currently idled North mine and additional surface infrastructure to accelerate mining of reserves.

We have made significant investments to modernize and improve the condition of our plants and equipment. We invested approximately \$256.2 million in our facilities in 2013, including the HB Solar Solution mine, the North compaction project, Moab cavern system and various throughput and recovery enhancement projects. We believe that our plants and equipment are adequate for executing our operating plans.

Including the initial acquisition of our assets, the total historical cost of mineral development assets, property, plant, and equipment as of December 31, 2013, is approximately \$1.0 billion. By location, the historical costs of mineral development assets, property, plant and equipment as of December 31, 2013, are \$873.7 million for Carlsbad (including the HB Solar Solution mine), \$94.9 million for Moab, \$55.6 million for Wendover, and \$12.6 million for other supporting sites. These amounts include land, construction in progress, building, plant, equipment, and mineral development in progress. We believe we acquired facilities at bargain prices and hence these costs are not representative of replacement costs.

Our leased office space in Denver, Colorado, is approximately 39,726 square feet and has a term extending through April 30, 2019. We lease approximately 8,327 square feet of office space in Carlsbad, New Mexico, for a term

extending through November 30, 2017.

We believe that all of our present facilities are adequate for our current needs and that additional space is available for future expansion on acceptable terms.

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Proven and Probable Reserves

Our potash (muriate of potash) and langbeinite (sulfate of potash magnesia) reserves each have substantial life, with remaining reserve life ranging from 28 to 170 years, based on proven and probable reserves estimated in accordance with SEC requirements. This lasting reserve base is the result of our past acquisition and development strategy. The estimates of our proven and probable reserves as of December 31, 2013, were prepared by us and were reviewed and independently determined by Agapito Associates, Inc. (“Agapito”) based on mine plans and other data furnished by us as described in footnote one below. The following table summarizes our proven and probable reserves, stated as product tons and associated percent ore grade, as of December 31, 2013.

Our Proven and Probable Reserves (thousands of tons)(1)

Product/Operations	Date Mine Opened (2)	Current Extraction Method	Minimum Remaining Life (years) (3)	Proven (4)			Probable (7)		
				Recoverable Ore Tons (5)	Ore Grade (6) (%) KCl	Product Tons as KCl	Recoverable Ore Tons (5)	Ore Grade (6) (%) KCl	Product Tons as KCl
Muriate of Potash									
Carlsbad West	1931	Underground	170	231,000	21.9 %	42,840	156,630	20.9 %	28,460
Carlsbad East (including East Mixed (8))	1965	Underground	61	68,070	18.7 %	10,400	72,680	18.6 %	11,300
Carlsbad HB Solar Solution Mine (2,9)	2012	Solution	28	15,400	34.7 %	4,750	710	32.3 %	210
Moab	1965	Solution	133	20,568	40.8 %	7,290	12,653	40.4 %	4,530
Wendover (10)	1932	Brine Evaporation	30	—	—	—	—	0.8 %	3,530
Total Muriate of Potash					24.4 %	65,280		20.8 %	48,030
Sulfate of Potash Magnesia									
Product/Operations	Date Mine Opened (2)	Current Extraction Method	Minimum Remaining Life (years) (3)	Proven (4)			Probable (7)		
				Recoverable Ore Tons (5)	Ore Grade (6) (%) Lang	Product Tons as Langbeinite	Recoverable Ore Tons (5)	Ore Grade (6) (%) Lang	Product Tons as Langbeinite
Carlsbad East (11) (including East Mixed (8))	1965	Underground	97	99,180	31.9 %	29,820	109,030	33.1 %	34,770

(1) The determination of estimated reserves has been prepared by us and is based on an independent review and analysis of our mine plans and geologic, financial and other data by Agapito, which is familiar with our mines. The most recent review performed by Agapito for the New Mexico East and West properties was in 2013. Agapito's analysis for the West and East mines was based on detailed examination of our geologic data that was updated with information from 2013 and 2012. As a result of the Agapito 2013 review, the East mixed ore reserve life was reduced due to reclassifying a portion of those reserves as langbeinite only. Additionally, a portion of langbeinite ore in the West 4th ore zone was reclassified as sylvite ore, which increased the West muriate of potash reserve and reduced the West sulfate of potash reserve that is reported in East reserves as described in notes 8 and 11. The Moab property reserves are based on Agapito's 2012 mine reserve estimate report less 2013 depletion. The Wendover property reserves are based on Agapito's 2012 mine reserve estimate report less 2013 depletion. However, depletion did not change the reserve life of 30 years as discussed in note 3 below. No changes to the HB Solar Solution mine reserve estimate were made to the 2008 Agapito review as there have been no changes to the

geologic database for that area since that time. Additionally, although we began injection and extraction activities in 2012, no production from the HB Solar Solution mine occurred in 2013. Because reserves are estimates, they cannot be audited for the purpose of verifying exactness. Instead, reserve information was reviewed in sufficient detail to determine if, in the aggregate, the data provided by us is reasonable and sufficient to estimate reserves in conformity with practices and standards generally employed by and within the mining industry and that are consistent with the requirements of U.S. securities laws.

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- These mines, excluding the HB Solar Solution mine, have operated in a substantially continuous manner since the dates set forth in this table. The HB Solar Solution mine was originally opened in 1934 and operated continuously as an underground mine until 1996. We are currently operating the HB Solar Solution mine and achieved
- (2) substantial completion of construction in the fourth quarter of 2013. Our first production began in early in 2014, and is expected to ramp up to full production in late 2015, assuming the benefit of average annual evaporation cycles applied to full evaporation ponds.
- Minimum remaining lives at the West, East, HB Solar Solution mine, and Moab mines are based on reserves (product tons) divided by annual effective productive capacity over the full expected life of the ore body, and corrections for purity: one ton of red muriate of potash equals 0.95 ton of KCl; one ton of East white muriate of potash equals 0.98 ton of KCl; one ton of Moab white muriate of potash equals 0.97 ton of KCl; one ton of sulfate of potash magnesia equals 0.97 ton of langbeinite. East minimum remaining life was based on three phases, with
- (3) various plant capacities: first, combined potash and langbeinite production; second, langbeinite only; and third, potash only. Annual effective productive capacity contemplates the grade of the ore, and estimated recovery percentages estimated at the time of the single stream processing for the langbeinite production and the potash production. The current effective productive capacity is different than annual effective productive capacity which contemplates future additional investment in the East facility. We currently do not report more than 30 years mining life for Wendover due to the uncertainties associated with natural brine containing aquifers.
- Proven reserves mean tonnages computed from projection of data using the inverse distance squared method taking into account mining dilution, mine extraction efficiency, ore body impurities, metallurgical recovery factors, sales prices and operating costs from potash ore zone measurements as observed and recorded either in drill holes using
- (4) cores, or channel samples in mine workings. This classification has the highest degree of geologic assurance. The data points for measurement are adequately spaced and the geologic character so well defined that the thickness, areal extent, size, shape, and depth of the potash ore zone are well-established. The maximum acceptable distance for projection from ore zone data points varies with the geologic nature of the ore zone being studied.
- Recoverable ore tons is defined as the hoisted ore for the conventionally mined ore in our East and West Mines. This figure was derived from the in-place ore estimate that has been adjusted for factors such as geologic impurities and mine extraction ratios. For the HB Solar Solution mine and the Moab property, recoverable ore tons are defined as the potassium that can be extracted from the underground workings and pumped to the surface. This
- (5) figure was derived from the in-place ore estimate that has been adjusted for factors such as geologic impurities, potash that dissolves but remains in the cavern (dissolution factor), and an extraction factor that accounts for potash that may not be recovered because solution may be channeled away or stranded due to cavern geometry. We do not calculate recoverable ore tons for the Wendover property as it is a lake brine resource, not an in-place ore deposit.
- Ore grade expressed as expected mill feed grade to account for minimum mining height for the East and West
- (6) mines. Muriate of potash ore grade is reported in % KCl and sulfate of potash magnesia ore grade is reported in % langbeinite. The ore grade for the Moab and HB Solar Solution mines is the in-place KCl grade.
- Probable reserves means tonnages computed by projection of data using the inverse distance squared method taking into account mining dilution, mine extraction efficiency, ore body impurities, metallurgical recovery factors,
- (7) sales prices and operating costs from available ore zone measurements as observed either in drill holes using cores or in mine workings for a distance beyond potash classified as proven reserves. This classification has a moderate degree of geological assurance.
- Our reserves in the 1st, 3rd, 4th, 7th, 8th and 10th ore zones contain either sylvite (KCl) or langbeinite ($K_2SO_4(MgSO_4)_2$) separately. Reserves currently being mined at our East mine are from the 5th ore zone and
- (8) contain both sylvite and langbeinite which we call mixed ore. East mine 5th ore zone also contains ore classified as langbeinite only. Additionally, the reserve amounts include West mine 3rd and 4th ore zones which contain langbeinite that we anticipate will be processed at the East mine.
- The HB Solar Solution mine reserves were based on solution mining of old workings and recovery of potash from the residual pillars. Reserves are based on thicknesses, grades, and mine maps provided by us. Capital costs to
- (9) establish economic viability for the HB Solar Solution mine reserves are based on updated internal estimates derived from third party engineering estimates, vendor and contractor quotes, and in-

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house estimates. Operating costs to establish economic viability were updated in 2013 based on designed operating parameters for reagent usage, power, materials and supplies, and anticipated staffing requirements for operations and environmental compliance.

The Wendover facility reserves are the combination of a shallow and a deep aquifer. There were no proven reserves reported for either aquifer because the shallow aquifer represents an unconventional resource and there is uncertainty of the hydrogeology of the deep aquifer. The estimating method for the shallow aquifer was based on brine concentration, brine density, soil porosity within the aquifer, and aquifer thickness from historical reports.

The brine concentrations and brine density were confirmed by us recently, but values for the aquifer thickness and (10) the porosity were obtained from literature published by other sources. Probable reserves for the shallow brine at the Wendover facility were calculated from KCl contained in the shallow aquifer based on estimates of porosity and thickness over the reserve area. The distance for projection of probable reserves is a radius of three quarters of a mile from points of measurement of brine concentration. Probable reserves for the deep-brine aquifer were estimated based on historical draw-down and KCl brine concentrations. The ore grade (% KCl) for both the shallow and deep aquifer is the percentage by weight of KCl in the brine.

(11) A portion of these reserves are within the West mine boundary. The classification of the reserve as being associated with the East mine is a result of where the ore is intended to be processed.

Production

Our facilities have a current estimated annual productive capacity of approximately 1.1 million tons of potash, including approximately 180,000 tons of designed productive capacity for the recently completed HB Solar Solution mine, and approximately 200,000 tons of langbeinite, based on current design. We are not currently producing at annual rates equal to our estimated productive capacity. Actual production is affected by operating rates, the grade of ore mined, recoveries, mining rates, evaporation rates, and the amount of development work that we perform.

Therefore, as with other producers in our industry, our production results tend to be lower than reported productive capacity. After years of design and construction work, we recently completed construction of the HB Solar Solution mine near Carlsbad, New Mexico, and we are processing our first harvest of ore from the solar evaporation ponds. We have begun initial commissioning of the processing plant, which we expect to continue through much of 2014. The HB Solar Solution mine applies solution mining and solar evaporation techniques to produce potash from previously idled mine workings. We expect production from the HB Solar Solution mine to increase as we ramp up production through 2016.

Our production capabilities and capital improvements at our facilities are described in more detail below, along with our historical production of our primary products and by-products for the years ended December 31, 2013, 2012 and 2011.

Carlsbad, New Mexico

Sylvite and langbeinite ore at our Carlsbad locations is mined from a stacked ore body containing at least 10 different mineralized zones, seven of which contain proven and probable reserves.

- The West mine has a current estimated productive capacity of approximately 420,000 tons of red potash annually. Potash produced from our West mine is shipped to the North facility for compaction.

- The North facility receives potash from the West mine via truck and converts the compactor feed to finished red granular-sized product and standard-sized product.

The East mine has a current estimated productive capacity of approximately 250,000 tons of white potash and, based on current design approximately 200,000 tons of langbeinite annually. Our productive capacity is impacted by the East's mine plan and the mix of sylvite and langbeinite ore in the ore body. Our choice of the ore we mine impacts productive capacity in that the relative mixture of ore grade of sylvite and langbeinite drive the productive capacity of our facility.

¶ The assets comprising the HB Solar Solution mine were previously operated as conventional underground operations until their closure in 1996 due to low potash prices and inefficient mineral processing at the facilities. We recently completed construction of the HB Solar Solution mine as a solution mine, and have begun commissioning and production activities. We believe the HB Solar Solution mine project has the potential, when fully operational, to ultimately increase production by an estimated 5 million tons of additional low-cost potash production. We expect

production rates to be between 150,000 to 200,000 tons annually for a period of approximately 28 years.

Moab, Utah

Potash ore at Moab is mined from two stacked ore zones: the original mine workings in Potash 5 that were converted to a solution mine and the horizontal caverns in Potash 9.

The Moab mine has a current estimated productive capacity of approximately 110,000 tons of potash annually; evaporation rates have historically varied and, consequently, productive capacity may vary between approximately 75,000 and 120,000 tons of potash.

Wendover, Utah

Potash at Wendover is produced primarily from brine containing salt, potash and magnesium chloride that is collected in ditches from the shallow aquifers of the Bonneville Salt Flats. These materials are also collected from a deeper aquifer by means of deep brine wells.

The Wendover facility has a current estimated productive capacity of approximately 100,000 tons of potash annually; evaporation rates have historically resulted in actual production between approximately 65,000 and 100,000 tons of potash.

Our Development Assets

We have significant additional development opportunities in our New Mexico facilities with the acceleration of production from our reserves and mineralized deposits of potash, and the potential construction of additional production facilities in the region. We also own the leases on two idled mines in or near Carlsbad — the Amax/Horizon mine and the North mine.

Amax/Horizon mine

We acquired the potash leases associated with the Amax/Horizon mine in October 2012. The Amax/Horizon mine was in continuous operation between 1952 and 1993, averaging over 450,000 tons of potash production annually prior to being idled. This mine, similar to the HB Solar Solution mine, is a viable candidate for solution mining in a manner that is consistent with the HB Solar Solution mine. As these are relatively new lease holdings, we have not yet determined the feasibility associated with this potential development project, however, work is being performed to determine the ability to convert this area to a solution mining opportunity.

The newly constructed plant for the HB Solar Solution mine has additional capacity to process potash. The development of the Amax/Horizon mine is expected to utilize much of the same pipeline system, evaporation ponds, and the processing mill as the HB Solar Solution mine.

North mine

The North mine operated from 1957 to 1982 when it was idled mainly due to low potash prices and mineralogy changes which negatively impacted mineral processing at the facilities. The production rate from this mine was approximately 330,000 tons annually prior to being idled. Although the mining and processing equipment has been removed, the mine shafts remain open. The compaction facility at the North mine is where we granulate, store, and ship potash produced at the West mine and the HB Solar Solution mine. Two operable mine shafts and much of the transportation and utility infrastructure required to operate the mine, rail access, storage facilities, water rights, utilities and leases covering potash deposits, are already in place. As part of our overall mine planning efforts, we continue to evaluate our strategic development options with respect to the shafts at the North mine and their access to mineralized deposits of potash. These development options contemplate a refurbishment of the shafts, underground development, a mill, and operating infrastructure that would produce at rates in excess of historical production levels, thereby leveraging the operating size and gaining benefits of scale towards per ton operating costs.

Production of Our Primary Products (thousands of product tons)

One product ton of potash contains approximately 0.60 tons of K_2O when produced at our West, Moab, and Wendover facilities and approximately 0.62 tons of K_2O when produced at our East facility. The following table summarizes

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production of our primary products at each of our facilities for each of the years ended December 31, 2013, 2012, and 2011.

	Year Ended December 31,									
	2013			2012			2011			
	Ore	Mill Feed	Finished	Ore	Mill Feed	Finished	Ore	Mill Feed	Finished	
	Production	Grade (1)	Product	Production	Grade (1)	Product	Production	Grade (1)	Product	
Muriate of Potash										
Carlsbad West	3,044	11.6	% 379	3,101	11.8	% 413	2,896	11.5	% 411	
Carlsbad East	2,608	7.7	% 196	2,522	8.8	% 199	2,309	8.9	% 202	
Carlsbad HB	—	13.8	% —	—	—	—	—	—	—	
Moab	596	13.5	% 112	521	14.1	% 97	573	15.4	% 116	
Wendover	447	17.5	% 93	389	18.4	% 87	405	17.8	% 84	
	6,695		780	6,533		796	6,183		813	
Langbeinite										
Carlsbad East(2)	2,608	4.6	% 177	2,522	4.7	% 131	2,309	5.7	% 141	
Total Primary			957			927			954	
Products										

(1) Mill feed grade is shown as percent K₂O.

(2) Muriate of potash and langbeinite at our East mine are processed from the same ore.

(3) Our HB Solar Solution mine began processing a small amount of ore in late 2013; however, no ore production or finished product is shown due to rounding.

Our By-Product Production

During the extraction of potash, we also recover marketable salt and magnesium chloride. At our Wendover facility, we also produce metal recovery salt, which is potash mixed with salt, in ratios requested by our customers. We account for the revenue generated from sales of these minerals as a reduction in the cost of goods sold of our primary potash product.

ITEM 3. LEGAL PROCEEDINGS

We are subject to claims and legal actions in the ordinary course of business. While there are uncertainties in predicting the outcome of any claim or legal action, we believe that the ultimate resolution of these claims or actions is not reasonably likely to have a material adverse effect on our consolidated financial position or the results of operations. We maintain liability insurance that will apply to some claims and actions and believe that our coverage is reasonable in view of the insurable legal risks to which our business ordinarily is subject.

ITEM 4. MINE SAFETY DISCLOSURES

We are committed to providing a safe and healthy work environment. The objectives of our safety programs are to eliminate workplace accidents and incidents, preserve employee health, and comply with all safety- and health-based regulations. We seek to achieve these objectives by training employees in safe work practices; establishing, following, and improving safety standards; involving employees in safety processes; openly communicating with employees about safety matters; and recording, reporting, and investigating accidents, incidents, and losses to avoid recurrence. As part of our ongoing safety programs, we collaborate with MSHA and the New Mexico Bureau of Mine Safety to identify and implement accident prevention techniques and practices.

Our East, West, and North facilities in New Mexico are subject to regulation by MSHA under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") and the New Mexico Bureau of Mine Safety. MSHA inspects these facilities on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Exhibit 95.1 to this Annual Report on Form 10-K provides the information concerning mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K. Our Utah facilities and our HB Solar Solution mine are subject to regulation by OSHA and, therefore, are not required to be included in the information provided in Exhibit 95.1.

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PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND
5. ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the NYSE under the symbol IPI.

The following table sets forth the range of high and low sales prices of our common stock for the periods indicated, as reported by the NYSE.

	High	Low
2013		
Quarter ended December 31, 2013	\$17.53	\$13.51
Quarter ended September 30, 2013	\$19.51	\$10.60
Quarter ended June 30, 2013	\$19.31	\$16.88
Quarter ended March 31, 2013	\$24.05	\$18.56
2012		
Quarter ended December 31, 2012	\$22.72	\$19.82
Quarter ended September 30, 2012	\$24.39	\$21.18
Quarter ended June 30, 2012	\$25.13	\$18.95
Quarter ended March 31, 2012	\$26.11	\$22.79

Performance Graph—Comparison of Cumulative Return

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total stockholder return on the S&P 500 Index, the Dow Jones US Basic Materials Index, and Intrepid's peer group (Potash Corporation of Saskatchewan Inc., The Mosaic Company, and Agrium Inc.) for the period beginning on December 31, 2008, through December 31, 2013, assuming an initial investment of \$100 and the reinvestment of dividends.

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	IPI	Peer Group	S&P 500	Dow Jones U.S. Basic Materials
December 31, 2008	\$100.00	\$100.00	\$100.00	\$100.00
December 31, 2009	\$140.44	\$162.79	\$126.46	\$165.51
December 31, 2010	\$179.54	\$225.01	\$145.51	\$218.02
December 31, 2011	\$108.96	\$166.81	\$148.59	\$185.93
December 31, 2012	\$103.27	\$186.99	\$172.37	\$205.43
December 31, 2013	\$76.83	\$157.64	\$228.19	\$247.29

The preceding information included under the caption “Performance Graph” is not “soliciting material,” is not deemed filed with the SEC, and is not to be incorporated by reference in any of our filings under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Holdings

As of January 31, 2014, the estimated number of record holders of our common stock was approximately 90 based upon information provided by our transfer agent.

Dividends

Up until 2012, the only dividend that we paid was a special dividend paid in connection with our formation in 2008 at the time of our IPO. In December 2012, we declared and paid a special cash dividend of \$0.75 per share. This 2012 special dividend does not represent a move towards paying regular or special dividends in the future. For the foreseeable

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future, we intend to retain earnings to reinvest for future operations and growth of our business and do not anticipate paying any cash dividends on our common stock. However, our board of directors, in its discretion, may decide to declare a dividend at an appropriate time in the future. A decision to pay a dividend would depend, among other factors, upon our results of operations, financial condition and cash requirements and the terms of our unsecured credit facility and other financing agreements at the time such a payment is considered.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs
October 1, 2013, through October 31, 2013	—	—	—	N/A
November 1, 2013, through November 30, 2013	—	—	—	N/A
December 1, 2013, through December 31, 2013	4,814	\$ 15.67	—	N/A

(1) Represents shares of common stock delivered to us as payment of withholding taxes due upon the vesting of restricted stock held by our employees.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our historical selected financial and operating data for the periods indicated (in thousands, except per share data). The selected financial and operating data should be read together with the other information contained in this document, including “Item 1. Business,” wherein the presentation below is described more fully, and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the audited historical financial statements and the notes thereto included elsewhere in this document, and the unaudited historical consolidated financial statements which have not been included in this document.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Sales	\$336,312	\$451,316	\$442,954	\$359,304	\$301,803
Net Income	\$22,275	\$87,443	\$109,411	\$45,285	\$55,342
Earnings Per Share:					
Basic	\$0.30	\$1.16	\$1.46	\$0.60	\$0.74
Diluted	\$0.30	\$1.16	\$1.45	\$0.60	\$0.74
Cash dividends declared and paid per common share	\$—	\$0.75	\$—	\$—	\$—
	December 31,				
	2013	2012	2011	2010	2009
Total assets	\$1,175,273	\$994,623	\$932,870	\$828,884	\$768,990
Total debt	\$150,000	\$—	\$—	\$—	\$—

Supplemental Selected Financial Data:

	December 31,				
	2013	2012	2011	2010	2009
Cash, cash equivalents and investments	\$25,113	\$57,747	\$176,794	\$142,988	\$107,136
Stockholders’ equity	\$933,971	\$905,736	\$871,133	\$757,841	\$709,222

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. The following discussion and analysis contains forward looking statements that involve risks, uncertainties, and assumptions as described under the heading "Cautionary Note Regarding Forward Looking Statements," in Part I of this Annual Report on Form 10-K. Our actual results could differ materially from those anticipated by these forward looking statements as a result of many factors, including those discussed under "Item 1A. Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Our Company

We are the largest producer of muriate of potash ("potassium chloride" or "potash") in the United States and are one of two producers of langbeinite ("sulfate of potash magnesia"). Langbeinite is a low-chloride potassium fertilizer with the additional benefits of sulfate and magnesium. We generally describe this multi-nutrient specialty product as langbeinite when we refer to production and as Trio[®] when we refer to sales and marketing. Our revenues are generated exclusively from the sale of potash and Trio[®]. Potassium is one of the three primary macronutrients essential to plant formation and growth. Since 2005, we have supplied, on average, approximately 1.5% of annual world potassium consumption and 9.1% of annual U.S. potassium consumption. We also produce salt and magnesium chloride from our potash mining processes, the sales of which are accounted for as by-product credits to our cost of sales. These by-product credits represented approximately 3% to 4% of total cost of goods sold in each of the last three years.

Our potash is marketed for sale into three primary markets. These markets are the agricultural market as a fertilizer input, the industrial market as a component in drilling and fracturing fluids for oil and gas wells and the feedstock for industrial processes, and the animal feed market as a supplemental nutrient. The agricultural market is predominately a user of granular-sized potash and Trio[®], while the industrial and animal feed markets largely consume standard and fine standard-sized product. Each of our operating facilities supplies these markets. Additionally, we have the capability to supply customers from our different locations due to the relatively homogeneous nature of our products. The flexibility to compact all of our production in granular form allows us to meet demand and maximize our average net realized sales price. Our investments in granulation capacity have allowed us to expand our geographical reach for granular product sales that would otherwise be unavailable. This flexibility also allows us to adjust our production to more closely align with the specific markets, thereby decreasing our dependence on sales of any one particular size of potash.

Our sales of potash tend to focus on agricultural areas, feed manufacturers in the central and western United States, and oil and gas drilling areas in the Rocky Mountains and the greater Permian Basin area. We also have domestic sales, primarily of Trio[®], in the southeastern and eastern United States, with a focus on areas with specific agricultural nutrition requirements of crops in those regions. We manage our sales and marketing operations centrally, including our freight and logistics planning. This allows us to evaluate the product needs of our customers and then determine which of our production facilities can be used to fill customer orders, all with the goal of realizing the highest average net realized sales price for our potash.

We own six active potash production facilities—four in New Mexico and two in Utah—and we have a current estimated annual productive capacity of approximately 1.1 million tons of potash, including approximately 180,000 tons of designed productive capacity for the recently completed HB Solar Solution mine, and approximately 200,000 tons of langbeinite, based on current design. We are not currently producing at annual rates equal to our estimated productive capacity. Actual production is affected by operating rates, recoveries, mining rates, evaporation rates, and the amount of development work that we perform. Therefore, as with other producers in our industry, our production results tend to be lower than reported productive capacity. After years of design and construction work, we recently completed construction of the HB Solar Solution mine near Carlsbad, New Mexico, and we are processing our first harvest of ore from the solar evaporation ponds. We have begun initial commissioning of the processing plant, which we expect to continue through much of 2014. The HB Solar Solution mine applies solution mining and solar evaporation techniques to produce potash from previously idled mine workings. We expect production from the HB Solar Solution

mine to increase as we ramp up production through 2016. We have additional opportunities to develop mineralized deposits of potash in New Mexico as well as improve recoveries in our processing plants. These opportunities potentially include additional solution mining activities and additional recoveries of our langbeinite. Longer-term opportunities include the potential reopening of the North mine, which was operated as a traditional underground mine until the early 1980s, or the acceleration of production from our reserves.

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Significant Business Trends and Activities

Our financial results have been impacted by several significant trends, which are described below. We expect that these trends will continue to drive our results of operations, cash flows, and financial position.

- **Potash demand.** We sold 692,000 tons of potash during 2013, a decline of 147,000 tons compared with 2012. Our 2013 sales volumes were impacted by unseasonable spring weather patterns and significant cautiousness in the global potash market caused by pricing uncertainty, particularly in the last six months of the year. During the spring of 2013, persistent wet weather across much of the Midwestern growing area of the United States compressed the spring planting season, limiting the amount of potash that was applied in this area during the first half of the year. During the latter half of the year, sales volumes were impacted by the lack of confidence in price stability and cautiousness from dealers resulting from a lack of immediate demand by retailers and farmers. As North American brownfields have come into production, North American potash supply has exceeded demand, causing an increase in North American potash inventory levels. Potash pricing has been declining for two and a half years. Uralkali announced in July 2013 that it would withdraw from its BPC marketing arrangement and subsequently announced its intention to pursue a volume-over-price strategy. These announcements accelerated price erosion globally, including in North America. These statements subsequently led to a deferral of potash purchasing in the fall of 2013.

The specific timing of when farmers apply potash remains highly weather dependent and varies across the numerous growing regions within the United States. In addition, potash demand is significantly influenced by dealer storage volumes and the marketing programs of potash producers and retailers. The combination of these items results in variability in potash sales and shipments, thereby increasing volatility of sales volumes from quarter to quarter and season to season.

- **Potash prices.** Potash prices are a significant driver of profitability for our business. Our average net realized sales price decreased to \$382 per ton in 2013 from \$454 per ton in 2012. This was the third straight year of decreased potash prices and our net realized sales price. The decrease in 2013 was largely due to continued downward pressure on potash prices driven by the uncertainty in the global potash market caused by the Uralkali announcements discussed previously, and a general view in the market that there is adequate global potash supply. Uncertainty around global potash demand levels, especially into large international markets such as China and India, has also put pressure on domestic potash prices. While new contracts for a portion of China's expected demand for the first half of 2014 were recently announced, uncertainty continues to exist around China's expected full year demand, as well as the impact of those contracts on future pricing and volumes into India. Suppliers to these markets have accumulated inventory and have to manage production volumes. The larger Canadian producers have announced production curtailments in the fall and winter of 2013. These pressures and the ongoing uncertainty in global potash demand continue to cloud the long-term global potash market. Further, North American potash inventory levels remain above the five-year average, which also pressures pricing. Throughout the latter half of 2013, sales levels and pricing have been soft as dealers have been postponing fertilizer purchases in response to the market uncertainty caused by these global concerns about the balance between supply and demand.

Due to the significant decline in potash pricing, we incurred a net loss for the three months ended December 31, 2013. As a result, we initiated cost saving initiatives as discussed below. If potash prices remain soft, we expect to incur additional net losses in 2014 until meaningful production from the HB Solar Solution mine come into production, which is expected to lower our per-ton operating costs.

- **Tri[®] prices and demand.** The average net realized sales price of Tri[®] increased to \$352 per ton in 2013 from \$329 per ton in 2012. Tri[®] domestic pricing has historically tended to move in a relatively close correlation to potash pricing. Over the last year, dealers' and farmers' recognition of the added value of magnesium and sulfate and the low-chloride benefits from this specialty product has translated into higher prices despite sequentially lower potash prices. Demand for granular-sized Tri[®] continues to exceed production, which has also been supportive of Tri[®] pricing. Demand for standard-sized Tri[®], however, has been less predictable, particularly in the export market. We expect that the general softness in the potash market, combined with a decrease in the market price for sulfur, could negatively impact pricing for our standard-sized Tri[®].

- Major capital projects. During 2013, we substantially completed the majority of the construction activities associated with the initial design for the HB Solar Solution mine, the North compaction project and the Moab cavern system.

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In late 2013, we began initial commissioning of the HB Solar Solution processing plant and expect this work to continue through much of 2014. The total expected investment for the project is between \$235 million and \$245 million, of which \$234.0 million had been invested as of December 31, 2013.

The North compaction project is approaching completion. The first two compaction lines are in service and the third compaction line is expected to be completed in the first half of 2014. The new facility uses state-of-the-art equipment to enable us to produce high quality granular product and expands our granulation capacity to accommodate the increased tonnage expected from the HB Solar Solution mine and ongoing upgrades at our West facility. Total capital expenditures for this project totaled \$97.0 million in 2013. The total capital investment for this project is anticipated to be less than \$100 million.

We continued to develop additional solution mining opportunities at our Moab facility by expanding our producing cavern systems. During 2013, we completed drilling activities into our third multi-lateral cavern system. This was the largest cavern system we have drilled, nearly three times the size of our other caverns. We expect this cavern system will provide higher grade extraction brines that will offset the typical decreasing production profile as other cavern systems are depleted and will allow for incremental production opportunities in future years. The total capital investment for this project was \$19.5 million in 2013.

We have several ongoing recovery enhancement projects at the West facility with total expected investment of approximately \$25 million to \$35 million, with \$21.2 million invested through December 31, 2013. The projects underway at the West facility, some of which began in 2012, are intended to sustain and increase production by improving recoveries at the West facility that have decreased in recent quarters as we transition into different ore zones that are more difficult to process. The majority of these projects are expected to be completed in the first half of 2014. The capabilities of the new North compaction facility now allow us the flexibility to make design changes at the West facility to increase recovery. There is a level of coordination among the projects at the West facility and North compaction facility that will cause some variation in production at the West facility as the projects are placed in service and resulting design changes are realized.

We expect the level of capital project investment to decrease significantly in 2014, as we have substantially completed these major capital projects in the last two years. During 2014, we intend to focus on optimizing and gaining the efficiencies from these projects, which are intended to increase production, decrease our per ton operating costs and increase our overall marketing flexibility.

- **East facility production.** We have dedicated significant resources to the long-term improvement plan that we began in early 2012 to address production challenges at the East facility. At our East facility, our recovery and production of both potash and langbeinite are directionally impacted by the ore grade and the development work we do in the mine's complex mixed ore zones. During the second half of 2013, our production of both potash and langbeinite declined from the second quarter of 2013 as we encountered lower grades within the mixed ore zones in which we were mining. As a result, we incurred higher production costs, which were allocated over fewer production tons, thereby resulting in higher per-ton cost of goods sold and a lower of cost or market inventory charge. In the fourth quarter of 2013, we made operational changes that have resulted in slightly improved ore grades, albeit lower than the comparable ore grades mined in 2012. Production costs in the fourth quarter of 2013 were impacted by the planned annual maintenance activities at our East facility that occurred in October 2013. As a consequence of the production results in 2013, combined with decreased potash prices, we recorded lower of cost or market adjustments of approximately \$3.7 million, of which a majority is associated with inventory we produced at our East facility. Our production and recovery results historically have had a positive correlation to ore grade. Our ore grade is also influenced by the amount of development activity we perform.

- **Other Expense (Income).** In 2013, our application for certain New Mexico employment-related tax credits was denied. We believe the denial is improper and we intend to vigorously pursue recovery of these credits. Nonetheless, we recorded a reserve of approximately \$2.8 million for tax credits relating to the denied credits.

- **Cost saving initiatives.** In January 2014, in response to the declining potash prices since mid-2013 and the substantial completion of our major capital projects, we undertook a number of cost saving actions that are intended to better align our cost structure with the current business environment. These initiatives include the elimination of approximately 7% of the workforce, including capital project related support associated with the our major capital

projects, decreases in executive compensation, reduction in the use of outside professionals, and cutbacks in other general and administrative areas. We estimate that these measures will result in annual savings of approximately \$15 million, with the majority being in general and administrative expense and the remainder being cost of goods sold. The workforce reduction occurred in January of 2014, generating a pre-tax charge of approximately \$1.5 million to \$2.0 million.

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Selected Operating and Financial Data

The following tables present selected operations data for the periods noted. Analysis of the details of this information is contained 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. We calculate average net realized sales price by deducting freight costs from gross revenues and then by dividing this result by tons of product sold during the period.

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	Year Ended December 31,		
	2013	2012	2011
Production volume (in thousands of tons):			
Potash	780	796	813
Langbeinite	177	131	141
Sales volume (in thousands of tons):			
Potash	692	839	793
Trio®	123	125	173
Gross sales (in thousands):			
Potash	\$284,831	\$402,382	\$392,331
Trio®	51,481	48,934	50,623
Total	336,312	451,316	442,954
Freight costs (in thousands):			
Potash	20,796	21,396	18,470
Trio®	8,060	7,768	9,869
Total	28,856	29,164	28,339
Net sales (in thousands) ⁽¹⁾ :			
Potash	264,035	380,986	373,861
Trio®	43,421	41,166	40,754
Total	\$307,456	\$422,152	\$414,615
Potash statistics (per ton):			
Average net realized sales price ⁽¹⁾	\$382	\$454	\$472
Cash operating costs ⁽¹⁾⁽²⁾	195	180	173
Depreciation and depletion	52	43	33
Royalties	13	17	17
Total potash cost of goods sold	\$260	\$240	\$223
Warehousing and handling costs	16	15	14
Average potash gross margin ⁽¹⁾	\$106	\$199	\$235
Trio® statistics (per ton):			
Average net realized sales price ⁽¹⁾	\$352	\$329	\$236
Cash operating costs ⁽¹⁾	201	209	180
Depreciation and depletion	55	61	22
Royalties	18	16	12
Total Trio® cost of goods sold	\$274	\$286	\$214
Warehousing and handling costs	15	16	15
Average Trio® gross margin ⁽¹⁾	\$63	\$27	\$7

(1) Additional information about our non-GAAP financial measures is set forth under the heading "Non-GAAP Financial Measures."

Amounts do not include by-product credits. On a per-ton basis, by-product credits were \$9 for the year ended (2)December 31, 2013, and \$8 for both of the years ended 2012, and 2011. By-product credits were \$6.5 million, \$6.5 million and \$6.0 million for the years ended December 31, 2013, 2012, and 2011, respectively.

Results of Operations
Operating Highlights

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Net income for 2013 was \$22.3 million, or \$0.30 per diluted share, and cash flows from operations were \$64.9 million. During 2013, we sold 692,000 tons of potash at a net realized sales price of \$382 per ton and 123,000 tons of Trio® at a net realized sales price of \$352 per ton. We made capital investments of \$256 million in 2013, received \$149.3 million of net proceeds from the issuance of unsecured senior notes in April 2013, and ended the year with \$25 million of cash and investments. We produced 780,000 tons of potash and 177,000 tons of langbeinite in 2013. We experienced a sequential decrease in net income each quarter throughout 2013, and incurred a net loss of \$6.0 million in the fourth quarter of 2013. The impact of decreased pricing and increased costs per ton will likely result in net losses during the first part of 2014.

Potash

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

	Contribution from Potash Sales		
	Net Sales	Gross Margin	
For the year ended December 31, 2013	86	% 90	%
For the year ended December 31, 2012	90	% 98	%
For the year ended December 31, 2011	90	% 99	%

We sold 692,000 tons of potash in 2013 compared with 839,000 tons in 2012. The decline in sales volumes was driven by unseasonable spring weather patterns and general cautiousness in the global potash market caused by pricing uncertainty, particularly in the last six months of the year, each discussed previously. Our average net realized sales price of potash was \$382 per ton in 2013, compared with \$454 per ton in 2012. Potash pricing continued to come under pressure due to uncertainty surrounding increased global potash supply and North American inventory levels that were above the five-year average.

The table below shows our potash sales mix for 2013 and 2012. The percentage of sales into the industrial market increased in 2013 compared with 2012, as a result of an increase in sales of standard-sized potash for industrial purposes as we reduced our level of standard-sized inventory during 2013.

	Year Ended December 31,			
	2013	2012	2011	
Agricultural	71	% 81	% 79	%
Industrial	21	% 12	% 14	%
Feed	8	% 7	% 7	%

We continue to focus on increasing the flexibility of our operations to produce the right amount of product for the demands of our specific markets. For example, we have invested in granulation facilities at each of our operations. The flexibility to produce more granular-sized product is important as we continue to see long-term trends that support utilization of potash in agriculture. Data generated by Fertecon Limited, a fertilizer industry consultant, shows that, over the past 25 years, domestic potash consumption has averaged approximately 9.3 million tons with annual volatility of approximately 10%. These results have occurred through historical periods of low and high agricultural commodity prices, weather conditions, variability in oil and gas drilling, negative farmer margins, and a variety of other macro-economic factors. Continuing improvements in agriculture production technology, such as hybrid seeds and equipment advancements, now allow for the potential of higher yields per acre. These improvements need to be matched with potassium application rates to maximize agricultural productivity. We believe these factors suggest increased domestic potash consumption is possible in the coming years.

The replacement of potassium in the soil is critical to continue high-yielding agricultural production and to satisfy the demands placed on soils for plant nutrition. The International Plant Nutrition Institute has tracked historical soil potassium levels and trends show a decline in soil potassium which will lead to an increasing potassium deficiency of some agricultural soils in North America. In order for the North American farmer to maximize yields, we believe the application of higher rates of potash will be necessary in the future. With higher crop yields in 2013, more potassium was removed from the soil. We believe replenishment of potassium prior to the seeding of the 2014 crop will be an

important factor in maximizing 2014 yields. We anticipate the 2014 spring potash application season will be a higher priority for farmers given the soil depletion compared to the 2013 fall application season.

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Our production volume of potash in 2013 decreased slightly to 780,000 tons, compared with 796,000 tons produced in 2012. This decrease was largely driven by lower production at our East and West facilities, offset by a modest increase in production at our Wendover facility. As discussed above, we are currently mining more complex ore zones at our East facility, which has impacted the quality of the material delivered to the mill and reduced our potash production. Production from our West facility was impacted by recovery challenges prior to completion of certain capital projects at West that are designed to increase recoveries. Due to the reduced production levels at our East and West facilities, we had fewer tons of potash produced over which to allocate production costs. As a result, our cash operating costs increased to \$195 per ton in 2013, compared with \$180 per ton in 2012.

Trio[®]

Our Trio[®] production was higher in 2013 than in 2012 as we benefited from stronger operating performance associated with the long-term improvement plan at our East facility. Pricing and demand for this specialty product remains strong, particularly for our granular-sized product. Our sales of Trio[®] decreased to 123,000 tons in 2013 as compared with 125,000 tons in 2012, as we accumulated standard-sized Trio[®] inventory during 2013. The standard-sized product is largely sold into the export market or converted into pelletized product. We are focused on improving the overall operating effectiveness of the pellet plant, which is intended to convert our standard-sized Trio[®] inventory, which has experienced reduced demand, into a pelletized product, for which there is currently very strong demand.

In 2013, as compared with 2012, our average Trio[®] gross margin increased by \$36 per ton as our average net realized sales price for Trio[®] increased by \$23 per ton, and our cash operating costs for Trio[®] decreased \$8 per ton. Our cash operating costs for Trio[®] decreased as a result of the production increases mentioned above. The cash operating costs per ton have also been negatively affected by the inefficiency and resulting high cost per ton associated with the production of the pelletized product. This resulted in a higher per-unit cash operating cost per ton associated with the pelletized product. As the market for granular and pelletized Trio[®] remains strong, we will continue to develop our operating practices to improve the yield and productivity of this production facility.

Our export sales of Trio[®] tend to be in larger quantities and with more variability as to the timing of those sales, which has an impact on the quarterly results.

	United States	Export	
Trio [®] only			
For the year ended December 31, 2013	76	% 24	%
For the year ended December 31, 2012	63	% 37	%
For the year ended December 31, 2011	56	% 44	%
Average Net Realized Sales Price			

Domestic pricing of our potash is influenced principally by the price established by our competitors. The interaction of global potash supply and demand, ocean, land and barge freight rates, and currency fluctuations also influence pricing. Any of these factors could have a positive or negative impact on the price of our products. Our average net realized sales price for potash decreased by \$72 per ton in 2013, to \$382 per ton, largely as a result of uncertainty in the global potash markets after Uralkali announced its departure from its BPC marketing arrangement, as discussed previously. Domestically, the market continues to experience ongoing price pressure from these same forces.

We market Trio[®] as a specialty product. As farmers have increasingly recognized the agronomic value of this product, demand for the product has grown and we have enjoyed a higher market price in 2013 as compared to 2012. This recognition has resulted in pricing that more closely reflects the tight supply of this product and the nutrient value of this product. However, we expect pressure on Trio[®] pricing in 2014 due to the softening in the potash and sulfate markets.

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The table below demonstrates the progression of our average net realized sales price for potash and Trio[®] through 2012 and 2013.

Average net realized sales price for the three months ended:	Potash (Per ton)	Trio [®]
December 31, 2013	\$338	\$345
September 30, 2013	\$363	\$353
June 30, 2013	\$402	\$359
March 31, 2013	\$417	\$351
December 31, 2012	\$434	\$347
September 30, 2012	\$444	\$336
June 30, 2012	\$465	\$322
March 31, 2012	\$477	\$302

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 on only a portion of our sales as 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. Although our gross sales include the freight that we bill, we do not believe that gross sales provide a representative measure of our performance in the market due to variations caused by ongoing changes in the proportion of customers paying for their own freight, the geographic distribution of our products, and freight rates. Rail freight rates have been steadily increasing, thereby negatively influencing our net realized sales prices. We view net sales, which are gross sales less freight costs, as the key performance indicator of our revenue as it conveys the net 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 associated logistics and then determining which of our production facilities can best satisfy these needs.

The volume of product we sell is determined by demand for our products and by our production capabilities. We intend to operate our facilities at full production levels, which provide the greatest operating efficiencies. By having adequate warehouse capacity, we can maintain production levels during periods of fluctuating product demand.

Cost of Goods Sold

Our cost of goods sold reflects the 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 on a facility-by-facility basis tend to move inversely with the number of tons we produce, within the context of normal production levels. Our principal production costs include 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, and leasing costs. There are elements of our cost structure associated with contract labor, consumable operating supplies, and reagents and royalties that are variable, which make up a smaller component 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, sales, and production levels at our facilities. Our production costs per ton are also impacted when our production levels change, due to factors such as changes in the grade of ore delivered to the plant, levels of mine development, plant operating performance, downtime, and annual maintenance turnarounds. We expect that our labor and contract labor costs in Carlsbad, New Mexico, will continue to be influenced most directly by the demand for labor in the local Carlsbad, New Mexico, region where we compete for labor with the potash, oil and gas, and nuclear waste storage industries. Additionally, the East mine has a complex mineralogy with a mixed ore body comprised of potash and langbeinite. This complex ore is processed through a singular product flow at the surface facility. The specific grade, volume, and characterization of the ore that is mined at any particular time influences the amount of tons of potash and langbeinite ultimately produced from the

facility, which affects our production costs per ton for both products and affects our quarter-to-quarter results. We pay royalties to federal, state, and private lessors under our mineral leases. These payments typically equal a percentage of net sales of minerals extracted and sold under the applicable lease. In some cases, federal royalties for potash are

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paid on a sliding scale that varies with the grade of ore extracted. Our average royalty rate was 3.6%, 3.9% and 3.7% in 2013, 2012 and 2011. We expect that future average royalty rates will increase modestly from rates experienced in 2013, as certain New Mexico mineral leases are currently being renewed at a fixed royalty rate of 5.0%.

Income Taxes

We are a subchapter C corporation and, therefore, are subject to federal and state income taxes on our taxable income. Our effective tax rate for the years ended December 31, 2013, 2012, and 2011 was 41.5%, 36.1%, and 37.6%, respectively. Our effective income tax rates are impacted primarily by changes in the underlying tax rates in jurisdictions in which we are subject to income tax and permanent differences between book and tax income for the period, including the benefit associated with the estimated effect of the depletion and domestic production activities deduction and research and development credits. Our federal and state income tax returns are subject to examination by federal and state tax authorities.

During the year ended December 31, 2013, we recognized income tax expense of \$15.8 million compared with income tax expense of \$49.5 million and \$65.9 million during the years ended December 31, 2012 and 2011, respectively. Total tax expense for the year ended December 31, 2013, was comprised of \$14.3 million of current income tax benefit and \$30.1 million of deferred income tax expense. The current income tax benefit in 2013 was derived from the creation of a net operating loss. We expect to carry back our net operating loss to 2011 and 2012, with the remaining amount carried forward as a deferred tax asset. Total tax expense for the year ended December 31, 2012, was comprised of \$11.5 million of current income tax expense and \$38.0 million of deferred income tax expense. Total tax expense for the year ended December 31, 2011, was comprised of \$16.9 million of current income tax expense and \$49.0 million of deferred income tax expense. Our current tax expense for each of these periods was less than our total tax expense in large part due to the impact of accelerated tax bonus depreciation and the utilization of percentage depletion.

We evaluate our deferred tax assets and liabilities each reporting period 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. The estimated statutory income tax rates that are applied to our current and deferred income tax calculations are impacted most significantly by the states in which we do business. Changing business conditions for normal business transactions and operations as well as changes to state tax rate and apportionment laws potentially alter our apportionment of income among the states for income tax purposes. These changes in apportionment laws result in changes in the calculation of our current and deferred income taxes, including the valuation of our deferred tax assets and liabilities. The effects of any such changes are recorded in the period of the adjustment. These adjustments can increase or decrease the net deferred tax asset on the balance sheet and impact the corresponding deferred tax benefit or deferred tax expense on the income statement. As of December 31, 2013, our estimate of our blended state tax rate increased, resulting in an increase of the value of the deferred tax asset by net \$0.9 million to reflect changes in business conditions in concert with changes in apportionment rules of the states in which we operate, and a decrease in the state tax rate for the state of New Mexico.

Capital Investments

We believe that, in the long term, demand for potash will remain at, or exceed, historical levels. We have developed and have been executing a capital investment plan at each of our facilities to respond to this anticipated increase in demand. These plans focus on growing productivity and improving recoveries while improving safe and reliable production, ensuring environmental and regulatory compliance, and improving facility reliability. Likewise, as we invest in our facilities, we seek to deploy capital while maintaining sufficient liquidity to react strategically to market conditions.

During 2013, much of our strategic focus was on investing in and completing our large capital projects. Construction of the HB Solar Solution mine was substantially completed in 2013, and two of the three compaction lines at our North compaction facility were also completed in 2013. We have other capital projects either in progress or planned for 2014, but expect the level of capital investment to decrease significantly in 2014. We expect our investments will grow production capacity and decrease per-ton production costs while also increasing the flexibility of our production mix to support our marketing efforts. We have already made significant steps towards improving our granulation

capacity for both potash and Trio® through previous capital investments.

During 2013, we invested \$256.2 million in capital projects, including \$3.4 million of capitalized interest. These capital projects included investments related to the substantial completion of the construction for the HB Solar Solution mine and the related production plant, the expansion of our North compaction facility and the drilling program to create the third multi-lateral cavern system in Moab.

In 2014, we expect our level of capital investment to be approximately \$40 million to \$50 million, which includes approximately \$10 million to \$15 million for remaining investment on the HB Solar Solution mine and the North Compaction facility. We expect approximately \$5 million to \$10 million of additional investment in recovery improvement projects at our West plant during 2014. As these projects are completed, we expect to reduce our capital investment activity,

which will allow us to shift our focus to the optimizing and increasing efficiencies of our operating facilities to extract the value from the capital investments made over the last several years. We expect our 2014 operating plans and capital programs to be funded out of operating cash flows, existing cash and investments, and availability under our unsecured credit facility.

The following details several of the significant projects that are designed to improve the overall reliability of the operations and to increase productive and compaction capacity:

During 2013, we substantially completed the construction activities associated with the initial design for the HB Solar Solution mine. We filled all of our solar evaporation ponds and substantially completed construction for the processing plant. During December, 2013, we began initial commissioning of the processing plant and we expect initial limited production of finished product from the HB Solar Solution mine to occur in the first quarter of 2014 with our first harvest. We expect our production from the HB Solar Solution mine to ramp up throughout 2014, with production levels increasing into the harvest seasons in 2015 and 2016, assuming the benefit of an average annual evaporation cycle applied to full evaporation ponds. The anticipated production schedule may be impacted by delays due to commissioning activities, the rate of injection into the mines, and the impact of weather events or patterns on commissioning and evaporation seasons. The total expected investment for the project is estimated to be between \$235 million and \$245 million, of which \$234.0 million had been invested as of December 31, 2013.

The North compaction project is nearing completion. The first two compaction lines are in service and the third compaction line is expected to be completed in the first half of 2014. This project is designed to provide adequate capacity for the increased throughput expected at the West facility and the anticipated production from the HB Solar Solution mine. Total capital investment for the project through December 31, 2013, was approximately \$97.0 million. The total capital investment for this project is anticipated to be less than \$100 million.

We have developed additional solution mining opportunities at our Moab facility. We completed the development of our second horizontal cavern system in the fourth quarter of 2012. During 2013, we completed the drilling on our third multi-lateral cavern system and we began injecting brine. Beginning in the second half of 2014, we expect this cavern system will provide higher grade extraction brines, which will offset the typical production profile as other cavern systems are depleted and allow for incremental production opportunities. The total capital investment for this project was \$19.5 million in 2013.

There are several ongoing projects at our West facility that are intended to sustain and increase production through improvements in recovery rates. We have made ongoing improvements to the West facility since its acquisition to increase the volume of tons going through the facility. This current phase of improvements is designed to address the lower recoveries experienced at the West facility in recent quarters as we transition into different ore zones that require different processing techniques. The majority of these projects are expected to be completed in the first half of 2014 with operational improvements beginning to be realized as the major components of the projects are completed. The capabilities of the new North compaction facility now allow us to make design changes that increase recovery. Accordingly, there is a level of coordination among the projects at the West facility and North compaction facility that will cause some interruptions in production at the West facility as the projects are placed in service and resulting design changes are realized. We estimate the total investment for these projects will be between \$25 million and \$35 million, of which \$21.2 million had been invested as of December 31, 2013.

Liquidity and Capital Resources

As of December 31, 2013, we had cash, cash equivalents, and investments of \$25.1 million, we had \$150 million of debt, and had no amounts outstanding under our unsecured credit facility discussed below. In April 2013, we received

the funding of our Notes with net proceeds of \$149.3 million, as described in more detail below. The \$25.1 million of cash, cash equivalents, and investments was made up of the following:

\$0.4 million in cash equivalent investments, consisting of money market accounts with banking institutions that we believe are financially sound; and

\$15.2 million and \$9.5 million invested in short and long-term investments, respectively.

Our operations have been and are expected to be primarily funded from cash on hand and cash generated by operations; if necessary, we have the ability to borrow under our unsecured credit facility, subject to availability as determined by our financial covenants. The total amount we have available under the credit facility could be limited if our adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, and certain other expenses, as defined in the credit facility) decreased significantly over several quarters, as discussed in more detail below under the heading "Unsecured Credit Facility." Due to the decreasing levels of adjusted EBITDA during 2013, the aggregate amount available

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to us under the facility as of December 31, 2013, was limited to \$222 million. The following summarizes our cash flow activity for the years ended December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012	2011
	(In thousands)		
Cash Flows provided by Operating Activities	\$64,898	\$187,834	\$173,869
Cash Flows used in Investing Activities	\$(246,439)	\$(170,183)	\$(174,802)
Cash Flows provided by (used in) Financing Activities	\$148,316	\$(57,404)	\$(1,828)

Operating Activities

Total cash provided by operating activities for the year ended December 31, 2013, was \$64.9 million, a decrease of \$122.9 million compared with the year ended December 31, 2012. The primary driver of this decline was lower sales volumes and a lower average net realized sales price for potash, as discussed previously, which, together, resulted in lower net income. Cash provided by operating activities for the year ended December 31, 2013, was negatively impacted by an increase in inventory of \$51.7 million as inventory levels and per-ton production costs both increased. Total cash provided by operating activities increased by \$14.0 million in 2012 compared to 2011. Inventory decreased \$11.2 million as we increased our sales levels ahead of production in 2012, which increased our operating cash flows. In addition, we experienced an increase in trade and other receivables, which is related to a refundable employment-related credit in the State of New Mexico.

Investing Activities

Total cash used in investing activities increased \$76.3 million in 2013 compared with the comparable period in 2012 as a result of lower proceeds from the sale of investments, and a slight increase in capital investments. The decline in proceeds from investments was the result of the overall lower level of investments as the investment portfolio was utilized to fund our capital projects. In 2013, we also received \$6.1 million of proceeds from the sale of assets, most of which were received as we entered into a sale leaseback transaction for certain mining equipment purchased earlier in 2013. Total cash used in investing activities decreased in 2012 compared to 2011 due to an increase in the proceeds from the sale of investments and a reduction in purchases of investments. These net proceeds were used to fund our increased activity associated with investments in property, plant, and equipment, mineral properties and development costs of \$246.4 million in 2012, and the special dividend paid in December 2012. The level of capital investment in 2012 increased from the \$137.1 million invested in 2011.

Financing Activities

Total cash provided by financing activities of \$148.3 million primarily consisted of proceeds from long-term debt related to the funding of our Notes in April 2013, which have an aggregate principal amount of \$150 million. For the year ended December 31, 2012, we declared and paid a special dividend of \$0.75 per share or \$56.5 million. We also paid \$0.9 million for employees' minimum statutory tax withholdings upon the vesting of certain restricted stock awards for employees who elected to net share settle their awards.

In 2011, we paid \$1.1 million for employees' minimum statutory tax withholdings upon the vesting of certain restricted stock awards for employees who elected to net share settle their awards. We also paid \$1.5 million in debt issuance costs related to the unsecured credit facility.

Unsecured Credit Facility

We have an unsecured credit facility, led by U.S. Bank, as administrative agent, and Wells Fargo Bank, as syndication agent. This unsecured credit facility provides a total revolving credit facility of \$250 million. The facility was amended in August 2013 to extend the maturity date by two years to August 2018, to decrease the applicable interest rates on any borrowings, to decrease our quarterly commitment fees, and to increase our maximum allowable leverage ratio to 3.5. Our minimum allowable fixed charge coverage ratio under the facility remains at 1.3. The facility is unsecured and is guaranteed by our material subsidiaries.

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Under the facility, the leverage ratio is defined as the ratio of our total funded indebtedness to our adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, and certain other expenses) for the prior four fiscal quarters. The minimum allowable fixed charge coverage ratio is defined as the ratio of adjusted EBITDA for the prior four fiscal quarters to fixed charges. Both ratios may operate to limit the total amount available under the facility. For example, if adjusted EBITDA decreased significantly over several quarters with no change to indebtedness, our leverage ratio could rise to the level where some or all of the \$250 million would not be available to us.

As of January 31, 2014, we had advances outstanding under the facility of \$10 million and we expect to have advances outstanding under the facility periodically during 2014. As a result of declines in our adjusted EBITDA over the last four fiscal quarters, the total amount available to us under the facility was limited to approximately \$222 million as of December 31, 2013. Based on current market conditions, we expect that the total amount available to us under the facility will be substantially reduced during 2014. We believe that the amounts available to us will be adequate to fund our operations and our capital investment projects.

Outstanding balances under the unsecured credit facility bear interest at a floating rate, which, at our option, is either (1) the London Interbank Offered Rate (LIBOR), plus a margin of between 1.125% and 2.25%, depending upon our leverage ratio, as defined above; or (2) an alternative base rate, plus a margin of between 0.125% and 1.25%, depending upon our leverage ratio. We pay a quarterly commitment fee on the outstanding portion of the unused revolving unsecured credit facility amount of between 0.15% and 0.35%, depending on our leverage ratio. The interest rate paid under our unsecured credit facility on any debt varies both with the change in the LIBOR rates and with our leverage ratio.

Unsecured Senior Notes

In April 2013, we received net proceeds of \$149.3 million from the issuance of \$150 million aggregate principal amount of the Notes pursuant to a note purchase agreement entered into in August 2012. The Notes consist of the following series:

\$60 million of 3.23% Senior Notes, Series A, due April 16, 2020

\$45 million of 4.13% Senior Notes, Series B, due April 14, 2023

\$45 million of 4.28% Senior Notes, Series C, due April 16, 2025

The Notes are senior unsecured obligations and rank equally in right of payment with any of our other unsubordinated unsecured indebtedness. The obligations under the Notes are unconditionally guaranteed by our material subsidiaries. The note purchase agreement includes financial covenants requiring a minimum fixed charge ratio and a maximum leverage ratio. We are currently in compliance with each of these financial covenants. Interest on the Notes began accruing on April 16, 2013, and is paid semiannually on April 16 and October 16 of each year.

Contractual Obligations

As of December 31, 2013, we had contractual obligations totaling \$294.4 million on an undiscounted basis, as indicated below. Contractual commitments shown are for the full calendar year indicated unless otherwise indicated.

	Payments Due By Period						
	Total	2014	2015	2016	2017	2018	More Than 5 Years
	(In thousands)						
Long-term debt(1)	\$150,000	\$—	\$—	\$—	\$—	\$—	\$150,000
Fixed rate interest obligations on long-term debt(2)	52,404	5,723	5,723	5,723	5,723	5,723	23,789
Operating lease obligations(3)	19,251	4,045	3,906	3,478	3,332	3,256	1,234
Purchase commitments(4)	1,047	912	135	—	—	—	—
Natural gas purchase commitments(5)	6,998	6,998	—	—	—	—	—

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Asset retirement obligation(6)	54,878	1,088	3,356	1,656	1,705	1,031	46,042
Minimum royalty payments(7)	9,800	392	392	392	392	392	7,840
Total	\$294,378	\$19,158	\$13,512	\$11,249	\$11,152	\$10,402	\$228,905

(1) Intrepid issued \$150 million aggregate principal amount of the Notes on April 16, 2013. The Notes mature in three tranches in 2020, 2023, and 2025.

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Interest on the Notes began accruing on April 16, 2013. Interest will be paid semiannually on April 16 and October 16 of each year, beginning on October 16, 2013. Interest expense will be recorded net of any capitalized interest associated with investments in capital projects.

(3) Amounts include all operating lease payments, inclusive of sales tax, for leases for office space, an airplane, railcars and other equipment.

(4) Purchase contractual commitments include the approximate amount due vendors for non-cancelable purchase commitments for materials and services.

(5) We have committed to purchase a minimum quantity of natural gas, which is priced at floating index dependent rates plus \$0.01 to \$0.13 per MMBtu, estimated based on forward rates. Amounts are based on spot rates inclusive of estimated transportation costs and sales tax.

(6) We are obligated to reclaim and remediate lands that our operations have disturbed, but, because of the long-term nature of our reserves and facilities, we estimate that the majority of those expenditures will not be required until after 2018. Although our reclamation obligation activities are not required to begin until after we cease operations, we anticipate certain activities to occur prior to then related to reclamation of facilities that have been replaced with newly constructed assets, as well as certain shaft closure activities for shafts that are no longer in use.

Commitments shown are in today's dollars and are undiscounted.

(7) Estimated annual minimum royalties due under mineral leases, assuming approximately a 25-year life, consistent with estimated useful lives of plant assets.

Off-Balance Sheet Arrangements

As of December 31, 2013, we had no off-balance sheet arrangements aside from the operating leases described above under "Contractual Obligations" and bonding obligations described in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Results of Operations for the Years ended December 31, 2013, and 2012

Net Sales

Net sales of potash decreased \$117.0 million, or 31%, from \$381.0 million for the year ended December 31, 2012, to \$264.0 million for the year ended December 31, 2013. This decrease was the result of an 18% decrease in sales volumes of potash in addition to a decrease in the average net realized sales price of potash by \$72 per ton, or 16%, in the comparable period. Our customers delayed purchases of potash in 2013 given downward pressure on potash prices driven by softness and uncertainty in the global potash market, as discussed previously.

Net sales of Trio[®] increased from \$41.2 million for the year ended December 31, 2012, to \$43.4 million for the year ended December 31, 2013, due to a 7% increase in the average net realized sales price of Trio[®] offset by a slight decrease of 2% in the volume of sales. We continue to see strong demand for our Trio[®] product, particularly the granular-sized and pelletized products. Trio[®] domestic pricing has historically tended to move in a relatively close correlation to potash pricing. Dealers' and farmers' recognition of the benefits of this low chloride product, however, coupled with the added value of magnesium and sulfate from this specialty product, translated into higher prices despite sequentially lower potash prices during 2013.

Our production volume of potash in 2013 was 780,000 tons, or 16,000 tons less than in 2012. Our Trio[®] production increased 46,000 tons, or 35%, in 2013 as we continue to progress with operating our langbeinite facility more effectively and efficiently.

Cost of Goods Sold

The following table presents our cost of goods sold for potash and Trio[®] for the subject periods:

	Year ended December 31,		Change Between		
	2013	2012	Periods	% Change	
Cost of goods sold (in millions)	\$212.9	\$236.5	\$(23.6)	(10))%
Cost per ton of potash sold(1)	\$260	\$240	\$20	8)%
Cost per ton of Trio [®] sold(2)	\$274	\$286	\$(12)	(4))%

(1) Depreciation and depletion expense for potash was \$35.6 million and \$35.8 million in 2013 and 2012, respectively, which equates to \$52 and \$43 on a per-ton basis.

(2) Depreciation and depletion expense for Trio[®] was \$6.8 million and \$7.6 million in 2013 and 2012, respectively, which equates to \$55 and \$61 on a per-ton basis.

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Total cost of goods sold of potash, which includes royalties and depreciation, depletion and amortization, increased \$20 per ton, or 8%, from \$240 per ton for the year ended December 31, 2012, to \$260 per ton for the year ended December 31, 2013. We experienced higher cash operating costs per ton in 2013 due to increased production costs per ton at our East and West facilities resulting from comparatively lower production levels as we work through more complex ore zones at our East facility and our recovery improvement projects at our West facility, each discussed previously.

Total cost of goods sold of Trio[®] decreased \$12 per ton, or 4%, from \$286 per ton for the year ended December 31, 2012, to \$274 per ton for the year ended December 31, 2013. This decrease in cost of goods sold on a per-ton basis was primarily due to higher Trio[®] production volumes in 2013 over which production costs are allocated.

In total, our cost of goods sold decreased \$23.6 million, or 10%, from \$236.5 million in 2012 to \$212.9 million in 2013, as a result of fewer tons of potash sold in 2013. As a percentage of sales, cost of goods sold increased as our production costs increased while our total production decreased, resulting in higher per ton inventory values. The increases in production costs were the result of increases in labor costs, natural gas, electricity, maintenance and professional services during the year ended December 31, 2013.

On a comparative basis, and within our production costs, depreciation and depletion increased \$12.4 million, or 29%, during 2013 as a result of the significant capital investments being placed into service during the last year. We expect depreciation expense to continue to increase into the early part of 2014 on both an actual dollar basis and on a per-ton basis due to the assets placed in service in the latter half of 2013 and the first part of 2014 are completed. We manage capital investments to maintain the productivity of our mines and to increase production and generate incremental returns on invested capital.

Selling and Administrative Expense

Selling and administrative expenses were \$33.8 million in both 2013 and in 2012.

Other Operating Expense

During 2013, we received notification that our application for certain New Mexico employment-related credits had been denied, as discussed previously. Although we plan to vigorously pursue all available means to recover these credits, we recorded a reserve of \$2.8 million against previously filed claims in "Other expense" included in Operating income in the consolidated statement of operations in 2013.

Also in 2013, we received a refund from the State of New Mexico related to a compensating tax refund submitted in prior periods. The receipt of the refund removed uncertainty about the amount and collection of the refund and therefore, we recorded \$1.7 million of income, which was also recorded in "Other expense" included in Operating income in the consolidated statement of operations in 2013.

Other Income (Expense)

In April 2013, we funded \$2.0 million to settle all pension plan liabilities and recorded an additional expense of approximately \$1.9 million to reflect the termination of the pension plan. This amount is recorded as "Other income (expense)" in the consolidated statements of operations for the year ended December 31, 2013, and represents the difference between the final amount funded, and the sum of the recorded pension liability and the unrecognized actuarial losses included in accumulated other comprehensive income.

Results of Operations for the Years ended December 31, 2012, and 2011

Net Sales and Freight Costs

Net sales of potash increased \$7.1 million, or 2%, from \$373.9 million for the year ended December 31, 2011, to \$381.0 million for the year ended December 31, 2012. This increase was primarily the result of a 6% increase in sales volumes of potash offset by a decrease in the average net realized sales price of potash by \$18 per ton, or 4%. We experienced higher potash demand from our customers during the year ended December 31, 2012, especially in the second half of the year when dealer demand increased to meet farmers' potash needs during the fall application season. Net sales of Trio[®] increased from \$40.8 million for the year ended December 31, 2011, to \$41.2 million for the year ended December 31, 2012, due to a 39% increase in the average net realized sales price offset by a 28% decrease in the volume of sales. The decrease in sales volumes was a function of availability of product for sale as demand was significantly greater than production.

Our production volume of potash in 2012 was 796,000 tons, or 17,000 tons less than in 2011. Our decreased production in 2012 is the result of the production challenges we experienced at our East surface facility, as well as slightly lower production at our Moab facility due to the impact of the 2011 evaporation season that was negatively impacted by cooler summer temperatures and increased levels of precipitation. Our Trio® production was also negatively impacted by the plant operations at the East plant and ongoing commissioning activities.

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Cost of Goods Sold

The following table presents our cost of goods sold for potash and Trio® for the subject periods:

	Year ended December 31,		Change		
	2012	2011	Between	% Change	
Cost of goods sold (in millions)	\$236.5	\$213.7	\$22.8	11	%
Cost per ton of potash sold(1)	\$240	\$223	\$17.0	8	%
Cost per ton of Trio® sold(2)	\$286	\$210	\$76.0	36	%

(1) Depreciation, depletion, and amortizations expense for potash was \$35.8 million and \$25.9 million in 2012 and 2011, respectively, which equates to \$43 and \$33 on a per ton basis.

(2) Depreciation, depletion, and amortizations expense for Trio® was \$7.6 million and \$3.8 million in 2012 and 2011, respectively, which equates to \$61 and \$22 on a per ton basis.

Total cost of goods sold of potash, which includes royalties and depreciation, depletion and amortization, increased \$17 per ton, or 8%, from \$223 per ton for the year ended December 31, 2011, to \$240 per ton for the year ended December 31, 2012. We experienced higher cash operating costs per ton for the year ended December 31, 2012, caused by higher per ton production costs at our East mine in 2012 as operating time and plant availability at our East mine, particularly during the first half of the year, was negatively impacted by the reliability of key elements of our production process. As a result, our per ton carrying value of inventory at the East mine entering 2012 and in early 2012 was higher than we had experienced in 2011. As we sold through that inventory, and produced higher cost tons during 2012, these higher cost tons were reflected as cost of goods sold in 2012. In addition, we realized higher depreciation per ton for the year ended December 31, 2012, due to an increase in depreciation expense associated with the capital projects completed in 2011 and 2012, combined with lower production during 2012.

Total cost of goods sold of Trio® increased \$76 per ton, or 36%, from \$210 per ton for the year ended December 31, 2011, to \$286 per ton for the year ended December 31, 2012. This increase in cost of goods sold on a per ton basis was most significantly impacted by the commissioning of the dense media component of our Langbeinite Recovery Improvement Project and the lower production volumes in 2012 over which production costs are allocated. As a result, our per ton production costs increased over those in 2011.

In total, our cost of goods sold increased \$22.8 million, or 11%, from \$213.7 million in the year ended December 31, 2011, to \$236.5 million in the year ended December 31, 2012. The increase in total cost of goods sold was driven primarily by the higher volumes of potash sold and increased depreciation due to the capital investments in 2012 and 2011. Labor and benefit costs, as well as costs incurred for chemical usage at our East plant, also experienced notable increases in 2012 compared to 2011.

On a comparative basis and within our production costs, depreciation and depletion increased \$11.6 million, or 37%, during 2012 as a result of the significant capital investments being brought on line over the last two years. We expect depreciation expense to continue to increase on both an actual dollar basis and on a per ton basis as we continue to invest capital into our operations. We manage capital investments to maintain the productivity of our mines and to increase production and generate incremental returns on invested capital.

Selling and Administrative Expense

Selling and administrative expenses increased \$2.0 million in 2012, as compared to 2011. The change represents a 6% increase from \$31.8 million for the year ended December 31, 2011, to \$33.8 million for the year ended December 31, 2012. This increase is primarily due to higher labor and benefit costs in 2012 as a result of additional headcount as we hired more staff to support our level of process improvements and general administrative support. These increases were partially offset by a reduction in short-term incentive compensation expense in 2012 as the 2012 performance metrics resulted in lower than target payouts.

Recognition of Income Associated With Deferred Insurance Proceeds

We had \$12.5 million of deferred insurance proceeds recognized in 2011 as a result of the settlement of an insurance claim for damages to our warehouses. No such event impacted 2012.

Other Operating Income

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During 2011, we recorded \$7.9 million of other operating income from an employment-related credit in the state of New Mexico. Beginning in the third quarter of 2011, the value of additional estimated credits have been recorded in the same period in which the credit was earned as a reduction to our production costs, and is reflected in the associated cost of goods sold and in the remaining inventory cost base as of December 31, 2012, and 2011.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements. Actual results could differ from such estimates and assumptions, and any such differences could result in material changes to our financial statements. The following discussion presents information about our most critical accounting policies and estimates. Our significant accounting policies are further described in Note 2 to our consolidated financial statements for the year ended December 31, 2013, included elsewhere in this Annual Report on Form 10-K.

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 not recognized for these transactions until shipment because the risks and rewards of ownership have transferred pursuant to a contractual arrangement. Prices are generally set at the time of, or prior to, shipment. In cases where the final price is determined upon resale of the product by the customer, revenue is deferred until the final sales price is known.

Sales are reported on a gross basis. We quote prices to customers both on a delivered basis and on the basis of pick-up at our plants and warehouses. When a sale occurs on a delivered basis, we incur and, in turn, bill the customer and record as gross revenue the product sales value, freight, packaging, and certain other distribution costs. Many customers, however, arrange and pay for these costs directly and, in these situations, only the product sales are included in gross revenues.

Application of this policy requires that we make estimates regarding creditworthiness of the customer, which impacts the timing of revenue recognition and, ultimately, the determination of allowance for doubtful accounts. We make those estimates based on the most recent information available and historical experience, but they may be affected by subsequent changes in market conditions.

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

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. We have prepared these reserve life estimates and they have been reviewed and independently determined by mine consultants. 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. Market price fluctuations of potash or Trio[®], as well as increased production costs or reduced recovery rates, could render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and might result in a reduction of reserves. In addition, the provisions of our mineral leases, including royalties payable, are subject to periodic readjustment by the state and federal government, which could affect the economics of our reserve estimates. Significant changes in the estimated reserves could have a material impact on our results of operations and financial position.

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, which is considered work-in-process; 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 include 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.

We evaluate production levels and costs to determine if any should be deemed abnormal and therefore excluded from inventory costs and expensed directly during the applicable period. The assessment of normal production levels is judgmental and is unique to each period. We model normal production levels and evaluate 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 that have not turned over in more than a year, excluding parts classified as critical spares, are reviewed for obsolescence and, if deemed appropriate, are included in the determination of an allowance for obsolescence.

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

Factors we generally will consider important and which could trigger an impairment review of the carrying value of long-lived assets include the following:

- significant underperformance relative to expected operating results;
- significant changes in the manner of use of assets or the strategy for our overall business;
- the denial or delay of necessary permits or approvals that would affect the utilization of our tangible assets;
- underutilization of our tangible assets;

• discontinuance of certain products by us or our customers;
• a decrease in estimated mineral reserves; and
• significant negative industry or economic trends.

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Although we believe the carrying values of our long-lived assets were realizable as of the balance sheet dates, future events could cause us to conclude otherwise.

Asset Retirement Obligation—All of our mining properties involve certain reclamation liabilities as required by the states in which they operate or by the BLM. 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 time or the amount of the reclamation and abandonment costs. These asset retirement obligations are reviewed and updated at least annually with any changes in balances recorded as adjustments to the related assets and liabilities. The estimates of amounts to be spent are subject to considerable uncertainty and long timeframes. Changes in these estimates could have a material impact on our results of operations and financial position.

Planned Turnaround Maintenance—Each operation typically shuts down periodically for maintenance. The New Mexico operations have historically shut down for up to two weeks to perform turnaround maintenance. Generally, the Moab and Wendover operations cease harvesting potash from our solar ponds during one or more summer months to make the most of the evaporation season. During these summer turnarounds, annual maintenance is performed. The costs of maintenance turnarounds are considered part of production costs and are absorbed into inventory in the period incurred.

Income Taxes—We are a subchapter C corporation and therefore are subject to U.S. federal and state income taxes. We recognize 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. We record a valuation allowance if it is deemed more likely than not that our deferred income tax assets will not be realized in full; such determinations are subject to ongoing assessment.

Stock Based Compensation—We account for stock based compensation by recording expense using the fair value of the awards at the time of grant. We have recorded compensation expense associated with the issuance of non-vested restricted shares of common stock, non-vested performance units, and non-qualified stock options, all of which are subject to service conditions. The expense associated with such awards is recognized over the service period associated with each issuance. Performance units are also subject to operational performance or market based conditions.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use several non-GAAP financial measures to monitor and evaluate our performance. These non-GAAP financial measures include net sales, average net realized sales price, cash operating costs and average potash and Trio[®] gross margin. These non-GAAP financial measures should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, because the presentation of these non-GAAP financial measures varies among companies, our non-GAAP financial measures may not be comparable to similarly titled measures used by other companies.

We believe these non-GAAP financial measures provide useful information to investors for analysis of our business. We also refer to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these non-GAAP financial measures are widely used by professional research analysts and others in the valuation, comparison and investment recommendations of companies in the potash mining industry. Many investors use the published research reports of these professional research analysts and others in making investment decisions.

Net sales and average net realized sales price are non-GAAP financial measures. Net sales are calculated as sales less freight costs. Average net realized sales price is calculated as net sales, divided by the number of tons sold in the

period. We consider net sales and average net realized sales price to be useful because they remove the effect of transportation and delivery costs on sales and pricing. When we arrange transportation and delivery for a customer, we include in revenue and in freight costs the costs associated with transportation and delivery. However, many of our customers arrange for and pay their own transportation and delivery costs, in which case these costs are not included in our revenue and freight costs. We use net sales and average net realized sales price as key performance indicators to analyze sales and price trends. We also use net sales as one of the measures under our performance-based compensation programs for employees.

Cash operating costs is a non-GAAP financial measure that is calculated as total of cost of goods sold divided by the number of tons sold in the period and then adjusted to exclude per-ton depreciation, depletion, and royalties. Total cost of goods sold is reported net of by-product credits and does not include warehouse and handling costs. We consider cash operating costs to be useful because it represents our core, per-ton costs to produce potash and Trio[®]. We use cash operating costs as an indicator of performance and operating efficiencies and as one of the measures under our performance-based compensation programs for employees.

Average potash and Trio[®] gross margin are non-GAAP financial measures and are calculated by subtracting the sum of total cost of goods sold and warehousing and handling costs from the average net realized sales price. We believe the average

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gross margin for both potash and Trio[®] to be useful as they represent the average amount of margin we realize on each ton of potash and Trio[®] sold.

Below is a reconciliation of these non-GAAP measures to the most directly comparable GAAP measure, for the years ended December 31, 2013, 2012, and 2011:

Net Sales and Average Net Realized Sales Price

	Year Ended December 31, 2013		
	Potash	Trio [®]	Total
Sales	\$284,831	\$51,481	\$336,312
Freight costs	20,796	8,060	28,856
Net sales	\$264,035	\$43,421	\$307,456
Divided by:			
Tons sold (in thousands)	692	123	
Average net realized sales price per ton	\$382	\$352	
	Year Ended December 31, 2012		
	Potash	Trio [®]	Total
Sales	\$402,382	\$48,934	\$451,316
Freight costs	21,396	7,768	29,164
Net sales	\$380,986	\$41,166	\$422,152
Divided by:			
Tons sold (in thousands)	839	125	
Average net realized sales price per ton	\$454	\$329	
	Year Ended December 31, 2011		
	Potash	Trio [®]	Total
Sales	\$392,331	\$50,623	\$442,954
Freight costs	18,470	9,869	28,339
Net sales	\$373,861	\$40,754	\$414,615
Divided by:			
Tons sold (in thousands)	793	173	
Average net realized sales price per ton	\$472	\$236	

Cash Operating Costs

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	Year Ended December 31, 2013		
	Potash	Trio®	Total
Cost of goods sold	\$ 179,207	\$ 33,657	\$ 212,864
Divided by sales volume (in thousands of tons)	692	123	
Cost of goods sold per ton	\$ 260	\$ 274	
Less per-ton adjustments			
Depreciation and depletion	\$ 52	\$ 55	
Royalties	13	18	
Cash operating costs per ton	\$ 195	\$ 201	
	Year Ended December 31, 2012		
	Potash	Trio®	Total
Cost of goods sold	\$ 200,661	\$ 35,819	\$ 236,480
Divided by sales volume (in thousands of tons)	839	125	
Cost of goods sold per ton	\$ 240	\$ 286	
Less per-ton adjustments			
Depreciation and depletion	\$ 43	\$ 61	
Royalties	17	16	
Cash operating costs per ton	\$ 180	\$ 209	
	Year Ended December 31, 2011		
	Potash	Trio®	Total
Cost of goods sold	\$ 176,652	\$ 37,018	\$ 213,670
Divided by sales volume (in thousands of tons)	793	173	
Cost of goods sold per ton	\$ 223	\$ 214	
Less per-ton adjustments			
Depreciation and depletion	\$ 33	\$ 22	
Royalties	17	12	
Cash operating costs per ton	\$ 173	\$ 180	

Average Potash or Trio® Gross Margin

	Year Ended December 31,		
	2013	2012	2011
Potash			
Average potash net realized sales price*	\$ 382	\$ 454	\$ 472
Less total potash cost of goods sold	260	240	223
Less potash warehousing and handling costs	16	15	14
Average potash gross margin per ton	\$ 106	\$ 199	\$ 235

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	Year Ended December 31,		
	2013	2012	2011
Trio®			
Average Trio® net realized sales price*	\$ 352	\$ 329	\$ 236
Less total Trio® cost of goods sold	274	286	214
Less Trio® warehousing and handling costs	15	16	15
Average Trio® gross margin per ton	\$ 63	\$ 27	\$ 7

* The reconciliations of average potash and Trio® net realized sales price to GAAP sales are set forth above.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our operations may be impacted by commodity prices, geographic concentration, changes in interest rates, and foreign currency exchange rates.

Commodity Prices

Potash and Trio®, our principal products, are commodities but are not traded on any commodity exchange. As such, direct hedging of the prices for future production cannot be undertaken. Generally, we do not enter into long-term sales contracts with customers, so prices vary with each particular transaction and the individual bids that we receive. Our potash is marketed for sale into three primary markets: the agricultural market as a fertilizer; the industrial market as a component in drilling fluids for oil and gas exploration; and the animal feed market as a nutrient. Prices will vary based upon the demand from these different markets.

Our net sales and profitability are determined principally by the price of potash and Trio® and, to a lesser extent, by the price of natural gas and other commodities used in the production of potash and langbeinite. The price of potash and Trio® is influenced by agricultural demand and the prices of agricultural commodities. Decreases in agricultural demand or agricultural commodity prices could reduce our agricultural potash and Trio® sales. If natural gas and oil prices were to decline enough to result in a reduction in drilling activity, our industrial potash sales would decline. Our costs and capital investments are subject to market movements in other commodities such as natural gas, electricity, steel, and chemicals. We have entered into derivative transactions for the purchase of natural gas in the past. As of December 31, 2013, we had no natural gas derivative contracts.

Interest Rate Fluctuations

We have a \$250.0 million unsecured credit facility, led by U.S. Bank, as administrative agent, and Wells Fargo Bank, as syndication agent, which expires in August 2018. Balances outstanding under the unsecured credit facility bear interest at a floating rate which, at our option, is either (1) the London Interbank Offered Rate (LIBOR) plus a margin of between 1.125% and 2.25%, depending upon our leverage ratio as defined in the facility; or (2) an alternative base rate plus a margin of between 0.125% and 1.25%, depending upon our leverage ratio as defined in the facility. The interest rate paid under our unsecured credit facility on any debt varies both with the change in LIBOR and with our leverage ratio. As of December 31, 2013, no amounts were outstanding on this facility.

In April 2013, we received net proceeds of \$149.3 million from the issuance of \$150 million aggregate principal amount of the Notes pursuant to a note purchase agreement entered into in August 2012. The Notes consist of the following series:

\$60 million of 3.23% Senior Notes, Series A, due April 16, 2020

\$45 million of 4.13% Senior Notes, Series B, due April 14, 2023

\$45 million of 4.28% Senior Notes, Series C, due April 16, 2025

Because these Notes bear interest at a fixed rate, we do not bear interest rate risk on these Notes. The fair value of the notes does however fluctuate based on the assessment of our credit and movements in market interest rates. As of December 31, 2013, the estimated fair value of these notes is \$129 million.

Geographic Concentration

We primarily sell potash into the regions that include agricultural areas west of the Mississippi River, oil and gas exploration areas in the Rocky Mountains and the Permian Basin, and animal feed production throughout the United States. Our potash mines and many of our customers are concentrated in the western half of United States and are,

therefore, affected by weather and other conditions in this region.
Foreign Exchange Rate Fluctuations

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We typically have low balances of accounts receivable denominated in Canadian dollars and, as a result, we have minimal direct foreign exchange risk. We do, however, have an indirect foreign exchange risk due to the industry in which we operate. Specifically, the United States imports the majority of its potash from Canada and Russia. If the Canadian dollar and the Russian ruble strengthen in comparison to the U.S. dollar, foreign suppliers realize a smaller margin as measured in their local currencies unless they increase their nominal U.S. dollar prices. Strengthening of the Canadian dollar and Russian ruble therefore tend to support higher U.S. potash prices as Canadian and Russian potash producers attempt to maintain their margins. However, if the Canadian dollar and Russian ruble weaken in comparison to the U.S. dollar, foreign competitors may choose to lower prices significantly to increase sales volumes while maintaining margins as measured in their local currencies. A decrease in the average net realized sales price of our potash would adversely affect our operating results.

ITEM 8. FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

The consolidated financial statements that constitute Item 8 follow the text of this report. An index to the consolidated financial statements and financial statement Schedules appears in Item 15(a) of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND
FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Executive Chairman of the Board and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure control and procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of December 31, 2013, our Executive Chairman of the Board and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate “internal control over financial reporting,” as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Executive Chairman of the Board and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of our internal control over financial reporting as of December 31, 2013, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter ended December 31, 2013, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Inherent Limitations on Effectiveness of Controls

Our management, including our Executive Chairman of the Board and Chief Financial Officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Intrepid have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 9B. OTHER INFORMATION

On February 11, 2014, we terminated the Amended and Restated Non-Exclusive Aircraft Dry-Lease Agreement (the “Dry Lease”), dated as of January 1, 2013, between BH Holdings LLC (“BH Holdings”) and us. The termination is effective as of January 1, 2014.

BH Holdings is indirectly owned by Robert P. Jornayvaz III, our Executive Chairman of the Board, and Hugh E. Harvey, Jr., our Executive Vice Chairman of the Board.

Under the Dry Lease, we had agreed to lease an aircraft from BH Holdings for an initial one-year term, which term thereafter automatically renewed for successive one-year terms. On a monthly basis, we paid \$3,000 per flight hour and up to half of the fixed costs for the use of the aircraft. At the end of each calendar year, these amounts were adjusted upwards or downwards to reflect the actual costs attributable to our usage of the aircraft during that year. We were also responsible for certain taxes and any deductible amounts applicable to any claim under BH Holdings’ insurance policies with respect to the aircraft relating to our use of the aircraft. We terminated the Dry Lease because we no longer intend to use the aircraft.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Biographical information about our executive officers is set forth in "Item 1. Business—Executive Officers." Other information required by this item will be included in the proxy statement for our 2014 annual stockholders' meeting and is incorporated by reference into this report.

ITEM 11. EXECUTIVE
COMPENSATION

Information required by this item will be included in the proxy statement for our 2014 annual stockholders' meeting and is incorporated by reference into this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND
RELATED STOCKHOLDER MATTERS

Information required by this item will be included in the proxy statement for our 2014 annual stockholders' meeting and is incorporated by reference into this report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item will be included in the proxy statement for our 2014 annual stockholders' meeting and is incorporated by reference into this report.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item will be included in the proxy statement for our 2014 annual stockholders' meeting and is incorporated by reference into this report.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) and (a)(2) Financial Statements and Financial Statement Schedules:

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All other schedules are omitted because the required information is not applicable or is not present in amounts sufficient to require submission of the schedule or because the information required is included in the consolidated financial statements and notes thereto.

(a)Exhibits. The following exhibits are filed or furnished with, or incorporated by reference into, this Annual Report on Form 10-K:

Exhibit Number	Exhibit Description	Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-34025)	
		Form	Filing Date
3.1	Restated Certificate of Incorporation of Intrepid Potash, Inc.	8-K	April 25, 2008
3.2	Amended and Restated Bylaws of Intrepid Potash, Inc.	8-K	November 19, 2010
10.1	Form of Indemnification Agreement with each director and officer Director Designation and Voting Agreement, dated as of April 25, 2008, by and among Intrepid Potash, Inc., Harvey Operating and Production Company, Intrepid Production Corporation, and Potash Acquisition, LLC	8-K	April 25, 2008
10.2	Registration Rights Agreement, dated as of April 25, 2008, by and among Intrepid Potash, Inc., Harvey Operating & Production Company, Intrepid Production Corporation, and Potash Acquisition, LLC	8-K	May 1, 2008
10.3	Acknowledgment and Relinquishment, dated as of December 19, 2011, by and among Intrepid Potash, Inc., Harvey Operating and Production Company, Intrepid Production Corporation, and Potash Acquisition, LLC	8-K	May 1, 2008
10.4	Credit Agreement, dated as of August 3, 2011, by and among Intrepid Potash, Inc., the lenders named therein, and U.S. Bank National Association, as administrative agent	10-K for the Year Ended December 31, 2011	February 16, 2012
10.5	Amendment No. 1 to Credit Agreement and Amendment No. 1 to Guaranty, dated as of August 5, 2013, by and among Intrepid Potash, Inc., the lenders named therein, and U.S. Bank National Association, as administrative agent	8-K	August 8, 2011
10.6	Note Purchase Agreement, dated as of August 28, 2012, by and among Intrepid Potash, Inc. and the purchasers named therein	8-K	August 5, 2013
10.7	Amended and Restated Employment Agreement, dated as of May 19, 2010, by and between Intrepid Potash, Inc. and Robert P. Jornayvaz III+	8-K	August 28, 2012
10.8	Amendment to Employment Agreement, dated February 23, 2011, by and between Intrepid Potash, Inc. and Robert P. Jornayvaz III+	8-K	May 19, 2010
10.9		8-K	March 1, 2011

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10.10	Second Amendment to Employment Agreement, dated as of February 14, 2013, by and between Intrepid Potash, Inc. and Robert P. Jornayvaz III+	8-K	February 19, 2013
10.11	Amended and Restated Employment Agreement, dated as of May 19, 2010, by and between Intrepid Potash, Inc. and Hugh E. Harvey, Jr.+	8-K	May 19, 2010
10.12	Intrepid Potash, Inc. Equity Incentive Plan+	8-K	May 30, 2012
10.13	2012 Form of Restricted Stock Agreement under Intrepid Potash, Inc. Equity Incentive Plan+	8-K	February 7, 2011
10.14	2013 Form of Restricted Stock Agreement under Intrepid Potash, Inc. Equity Incentive Plan+	10-K for the Year Ended December 31, 2012	February 14, 2013
10.15	2012 Form of Performance Unit Agreement (TSR) under Intrepid Potash, Inc. Equity Incentive Plan+	8-K	March 7, 2012
10.16	2013 Form of Performance Unit Agreement (TSR) under Intrepid Potash, Inc. Equity Incentive Plan+	10-K for the Year Ended December 31, 2012	February 14, 2013
10.17	2012 Form of Performance Unit Agreement (Production) under Intrepid Potash, Inc. Equity Incentive Plan+	8-K	March 7, 2012
10.18	2013 Form of Performance Unit Agreement (Production) under Intrepid Potash, Inc. Equity Incentive Plan+	10-K for the Year Ended December 31, 2012	February 14, 2013
10.19	Form of Stock Option Agreement under Intrepid Potash, Inc. Equity Incentive Plan+	8-K	February 7, 2011
10.20	Intrepid Potash, Inc. Short-Term Incentive Plan+	8-K	May 30, 2012
10.21	Form of Change-of-Control Severance Agreement with each executive officer+	10-Q for the Quarter Ended September 30, 2011	November 3, 2011
10.22	Aircraft Dry Lease, dated as of January 9, 2009, by and between Intrepid Potash, Inc. and Intrepid Production Holdings LLC	8-K	January 12, 2009
10.23	Amended and Restated Non-Exclusive Aircraft Dry-Lease Agreement, dated as of January 1, 2013, by and between Intrepid Potash, Inc. and BH Holdings LLC	8-K	June 17, 2013
10.24	Termination Letter, dated February 11, 2014, relating to the Amended and Restated Non-Exclusive Aircraft Dry-Lease Agreement, dated as of January 1, 2013, by and between Intrepid Potash, Inc. and BH Holdings LLC	*	
21.1	List of Subsidiaries	*	
23.1	Consent of KPMG LLP	*	
23.2	Consent of Agapito Associates, Inc.	*	
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)	*	
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)	*	
32.1		**	

Certification of Executive Chairman of the Board pursuant to 18
U.S.C. Section 1350, as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C.
Section 1350, as adopted pursuant to Section 906 of the **
Sarbanes-Oxley Act of 2002

95.1 Mine Safety Disclosure Exhibit *

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99.1	Transition Services Agreement, dated as of April 25, 2008, by and between Intrepid Potash, Inc., Intrepid Oil & Gas, LLC, and Intrepid8-K Potash-Moab, LLC		May 1, 2008
99.2	Extension and Amendment to Transition Services Agreement dated July 14, 2009, to be effective as of April 25, 2009, between Intrepid Potash, Inc. and Intrepid Oil & Gas, LLC	10-Q for the Quarter Ended June 30, 2009	August 7, 2009
99.3	Third Amendment to Transition Services Agreement dated March 26, 2010, between Intrepid Potash, Inc. and Intrepid Oil & Gas, LLC	10-Q for the Quarter Ended March 31, 2010	May 5, 2010
99.4	Fourth Amendment to Transition Services Agreement dated March 25, 2011, between Intrepid Potash, Inc. and Intrepid Oil and Gas, LLC	10-Q for the Quarter Ended March 31, 2011	May 5, 2011
99.5	Sixth Amendment to Transition Services Agreement dated April 3, 2013, between Intrepid Potash, Inc. and Intrepid Oil & Gas, LLC	10-Q for the Quarter Ended March 31, 2013	May 2, 2013
101.INS	XBRL Instance Document	*	
101.SCH	XBRL Taxonomy Extension Schema	*	
101.CAL	XBRL Extension Calculation Linkbase	*	
101.DEF	XBRL Extension Definition Linkbase	*	
101.LAB	XBRL Extension Label Linkbase	*	
101.PRE	XBRL Extension Presentation Linkbase	*	

* Filed herewith.

**Furnished herewith.

+Management contract.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTREPID POTASH, INC.
(Registrant)

February 12, 2014	/s/ Robert P. Jornayvaz III Robert P. Jornayvaz III - Executive Chairman of the Board (Principal Executive Officer)
February 12, 2014	/s/ David W. Honeyfield David W. Honeyfield - President and Chief Financial Officer (Principal Financial Officer)
February 12, 2014	/s/ Brian D. Frantz Brian D. Frantz - Vice President-Finance, Controller, and Chief Accounting Officer (Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert P. Jornayvaz III Robert P. Jornayvaz III	Executive Chairman of the Board	February 12, 2014
/s/ Hugh E. Harvey, Jr. Hugh E. Harvey, Jr.	Executive Vice Chairman of the Board	February 12, 2014
/s/ Terry Considine Terry Considine	Director	February 12, 2014
/s/ Chris A. Elliott Chris A. Elliott	Director	February 12, 2014
/s/ J. Landis Martin J. Landis Martin	Lead Director	February 12, 2014
/s/ Barth E. Whitham Barth E. Whitham	Director	February 12, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Intrepid Potash, Inc.:

We have audited the accompanying consolidated balance sheets of Intrepid Potash, Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 12, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado

February 12, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Intrepid Potash, Inc.:

We have audited Intrepid Potash, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Intrepid Potash Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting as presented within Item 9A. Controls and Procedures. Our responsibility is to express an opinion on Intrepid Potash, Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Intrepid Potash, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework (1992) issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Intrepid Potash, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 12, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado

February 12, 2014

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INTREPID POTASH, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	December 31,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$394	\$33,619
Short-term investments	15,214	24,128
Accounts receivable:		
Trade, net	20,837	31,508
Other receivables	7,457	9,122
Refundable income taxes	15,722	3,306
Inventory, net	105,011	53,275
Prepaid expenses and other current assets	5,653	5,393
Current deferred tax asset	8,341	2,005
Total current assets	178,629	162,356
Property, plant, and equipment, net of accumulated depreciation of \$197,108 and \$142,137, respectively	689,662	543,169
Mineral properties and development costs, net of accumulated depletion of \$13,165 and \$11,060, respectively	136,907	94,096
Long-term parts inventory, net	12,469	10,208
Long-term investments	9,505	—
Other assets	4,252	4,246
Non-current deferred tax asset	143,849	180,548
Total Assets	\$1,175,273	\$994,623
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable:		
Trade	\$27,552	\$19,431
Related parties	50	203
Accrued liabilities	29,845	32,496
Accrued employee compensation and benefits	9,122	11,680
Other current liabilities	2,059	3,578
Total current liabilities	68,628	67,388
Long-term debt	150,000	—
Asset retirement obligation	19,959	19,344
Other non-current liabilities	2,715	2,155
Total Liabilities	241,302	88,887
Commitments and Contingencies		
Common stock, \$0.001 par value; 100,000,000 shares authorized; and 75,405,410 and 75,312,805 shares outstanding at December 31, 2013, and 2012, respectively	75	75
Additional paid-in capital	572,616	568,375
Accumulated other comprehensive loss	(10) (1,729
Retained earnings	361,290	339,015

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Total Stockholders' Equity	933,971	905,736
Total Liabilities and Stockholders' Equity	\$1,175,273	\$994,623

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2013	2012	2011
Sales	\$336,312	\$451,316	\$442,954
Less:			
Freight costs	28,856	29,164	28,339
Warehousing and handling costs	13,027	14,966	14,027
Cost of goods sold	212,864	236,480	213,670
Lower of cost or market inventory adjustments	3,650	568	698
Gross Margin	77,915	170,138	186,220
Selling and administrative	33,768	33,750	31,807
Accretion of asset retirement obligation	1,499	724	750
Insurance settlements income from property and business losses	—	—	(12,500)
Other expense (income)	1,806	263	(7,714)
Operating Income	40,842	135,401	173,877
Other Income (Expense)			
Interest expense, including realized and unrealized derivative gains and losses	(1,531)	(905)	(869)
Interest income	524	1,843	1,730
Other (expense) income	(1,742)	588	523
Income Before Income Taxes	38,093	136,927	175,261
Income Tax Expense	(15,818)	(49,484)	(65,850)
Net Income	\$22,275	\$87,443	\$109,411
Weighted Average Shares Outstanding:			
Basic	75,378,655	75,276,609	75,180,714
Diluted	75,406,727	75,336,982	75,281,050
Earnings Per Share:			
Basic	\$0.30	\$1.16	\$1.46
Diluted	\$0.30	\$1.16	\$1.45

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31,		
	2013	2012	2011
Net Income	\$22,275	\$87,443	\$109,411
Other Comprehensive Income (Loss):			
Pension liability adjustment (net of tax effect of \$(1,115), \$177, and \$451, respectively)	1,700	(269	) (698
Unrealized gain (loss) on investments available for sale (net of tax effect of \$(12), \$18, and \$19, respectively)	19	(29	) (31
Other Comprehensive Income (Loss)	1,719	(298	) (729
Comprehensive Income	\$23,994	\$87,145	\$108,682

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2010	75,110,875	\$75	\$559,675	\$ (702)	\$198,793	\$ 757,841
Pension liability adjustment	—	—	—	(698)	—	(698)
Unrealized loss on investment available for sale	—	—	—	(31)	—	(31)
Net income	—	—	—	—	109,411	109,411
Stock-based compensation	—	—	4,984	—	—	4,984
Issuance of common stock upon exercise of stock options	14,739	—	330	—	—	330
Change in excess income tax benefit from stock- based compensation	—	—	413	—	—	413
Vesting of restricted common stock, net of restricted common stock used to fund employee income tax withholding due upon vesting	81,919	—	(1,117)	—	—	(1,117)
Balance, December 31, 2011	75,207,533	75	564,285	(1,431)	308,204	871,133
Pension liability adjustment	—	—	—	(269)	—	(269)
Unrealized loss on investment available for sale	—	—	—	(29)	—	(29)
Net income	—	—	—	—	87,443	87,443
Stock-based compensation	—	—	5,116	—	—	5,116
Issuance of common stock upon exercise of stock options	1,649	—	34	—	—	34
Change in excess income tax benefit from stock- based compensation	—	—	(182)	—	—	(182)
Vesting of restricted common stock, net of restricted common stock used to fund employee income tax withholding due upon vesting	103,623	—	(878)	—	—	(878)
Common stock cash dividend (\$0.75 per share)	—	—	—	—	(56,632)	(56,632)

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Balance, December 31, 2012	75,312,805	75	568,375	(1,729)	339,015	905,736	
Pension liability adjustment	—	—	—	1,700	—	—	1,700	
Unrealized gain on investments available for sale	—	—	—	19	—	—	19	
Net income	—	—	—	—	—	22,275	22,275	
Stock-based compensation	—	—	5,123	—	—	—	5,123	
Change in excess income tax benefit from stock-based compensation	—	—	(230)	—	—	(230)
Vesting of restricted common stock, net of restricted common stock used to fund employee income tax withholding due upon vesting	92,605	—	(652)	—	—	(652)
Balance, December 31, 2013	75,405,410	\$75	\$572,616	\$ (10)	\$361,290	\$ 933,971	

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2013	2012	2011
Cash Flows from Operating Activities:			
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$22,275	\$87,443	\$109,411
Deferred income taxes	30,092	38,011	49,028
Insurance settlements income from property and business losses	—	—	(12,500)
Items not affecting cash:			
Depreciation, depletion, and accretion	61,303	47,599	35,787
Stock-based compensation	5,123	5,116	4,984
Loss on settlement of pension liabilities	1,872	—	—
Unrealized derivative gain	—	(1,049)	(1,289)
Lower of cost or market inventory adjustments	3,650	568	698
Other	2,522	3,259	1,822
Changes in operating assets and liabilities:			
Trade accounts receivable, net	10,671	(2,204)	(5,537)
Other receivables, net	1,668	(2,223)	(5,743)
Refundable income taxes	(12,417)	1,187	2,051
Inventory, net	(57,647)	1,464	(9,734)
Prepaid expenses and other assets	(150)	(378)	1,383
Accounts payable, accrued liabilities, and accrued employee compensation and benefits	(2,752)	7,324	5,225
Other liabilities	(1,312)	1,717	(1,717)
Net cash provided by operating activities	64,898	187,834	173,869
Cash Flows from Investing Activities:			
Additions to property, plant, and equipment	(204,749)	(192,949)	(135,700)
Additions to mineral properties and development costs	(45,736)	(53,457)	(1,414)
Proceeds from sale of property, plant, and equipment	6,088	2	—
Proceeds from insurance settlements from property and business losses	—	—	806
Purchases of investments	(80,235)	(85,359)	(102,031)
Proceeds from investments	78,193	161,580	63,537
Net cash used in investing activities	(246,439)	(170,183)	(174,802)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	150,000	—	—
Cash paid for common stock dividend	—	(56,474)	—
Debt issuance costs	(1,032)	(141)	(1,454)
Employee tax withholding paid for restricted stock upon vesting	(652)	(878)	(1,117)
Excess income tax benefit from stock-based compensation	—	55	413
Proceeds from exercise of stock options	—	34	330
Net cash provided by (used in) financing activities	148,316	(57,404)	(1,828)
Net Change in Cash and Cash Equivalents	(33,225)	(39,753)	(2,761)

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Cash and Cash Equivalents, beginning of period	33,619	73,372	76,133
Cash and Cash Equivalents, end of period	\$394	\$33,619	\$73,372

Supplemental disclosure of cash flow information

Net cash paid during the period for:

Interest, net of \$2.6 million, \$0 million, and \$0 million of capitalized interest, including settlements on derivatives	\$772	\$1,840	\$1,348
Income taxes	\$25	\$8,379	\$13,878
Accrued purchases for property, plant, and equipment, and mineral properties and development costs	\$29,692	\$25,204	\$17,350

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — COMPANY BACKGROUND

Intrepid Potash, Inc. (individually or in any combination with its subsidiaries, “Intrepid”) produces muriate of potash (“potassium chloride” or “potash”) and langbeinite. Langbeinite, which is marketed for sale as Trio a low-chloride potassium fertilizer with the additional benefits of sulfate and magnesium. Intrepid sells potash and Trio® primarily into the agricultural market as a fertilizer. Intrepid also sells these products into the animal feed market as a nutritional supplement and sells potash into the industrial market as a component in drilling and fracturing fluids for oil and gas wells and other industrial inputs. In addition, Intrepid sells by-products including salt and magnesium chloride. Intrepid owns six active potash production facilities: four in New Mexico, and two in Utah. In late 2013, Intrepid substantially completed construction of its HB Solar Solution mine, near Carlsbad, New Mexico. Intrepid has placed the majority of newly constructed assets into service from the HB Solar Solution mine project, including assets related to the solar evaporation ponds and major components of the processing plant as of December 31, 2013. Intrepid successfully harvested ore and ran the plant in 2013 and has begun producing potash from the HB Solar Solution mine in early 2014.

Production comes from two underground mines and the HB Solar Solution mine in the Carlsbad region of New Mexico; a solar evaporation solution mine near Moab, Utah; and a solar evaporation shallow brine mine in Wendover, Utah. Production will be added from the HB Solar Solution mine in the Carlsbad region of New Mexico. Trio® production comes from mining the mixed ore body that contains both potash and langbeinite, which is mined and processed at the East facility near Carlsbad, New Mexico. Intrepid manages sales and marketing operations centrally. This allows Intrepid to evaluate the product needs of its customers and then centrally determine which of its production facilities to use to fill customers’ orders in a manner designed to realize the highest average net realized sales price to Intrepid. Intrepid calculates average net realized sales price by deducting freight costs from gross revenues and then by dividing this result by tons of product sold during the period. Intrepid also monitors product inventory levels and overall production costs centrally. Intrepid has one reporting segment being the extraction, production, and sale of potassium related products. Intrepid’s extraction and production operations are conducted entirely in the continental United States.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant estimates include, but are not limited to, those for proven and probable mineral reserves, the related present value of estimated future net cash flows, useful lives of plant assets, asset retirement obligations, normal inventory production levels, inventory valuations, the valuation of equity awards, the valuation of receivables, valuation of our deferred tax assets, and estimated blended income 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 prices in effect at the time the estimates are made, as may estimates of future operating costs. The estimate of proven and probable mineral reserves, the related present value of estimated future cash flows, and useful lives of plant assets can affect various other items including depletion, the net carrying value of Intrepid’s mineral properties, the useful lives of related property, plant, and equipment, estimates associated with asset retirement obligations, and depreciation expenses. Specific to income tax items, we experience fluctuations in the valuation of the deferred tax assets and liabilities due to changing state income tax rates and the blend of state tax

rates.

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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 not recognized for these transactions until shipment because the risks and rewards of ownership have not transferred pursuant to a contractual arrangement. Prices are generally set at the time of, or prior to, shipment. In cases where the final price is determined upon resale of the product by the customer, revenue is deferred until the final sales price is known.

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

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

Inventory and Long-Term Parts Inventory—Inventory consists of product and by-product stocks that are ready for sale; mined ore; potash in evaporation ponds, which is considered work-in-process; 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 expensed directly during the applicable period. The assessment of normal production levels is judgmental and is unique to each period. Intrepid models normal production levels and evaluates historical ranges of production by operating plant in assessing what is deemed to be normal.

Parts inventory, including critical spares, that is not expected to be utilized within a period of one year is classified as non-current. Parts and supply inventory cost is determined using the lower of average acquisition cost or estimated replacement cost. Detailed reviews are performed related to the net realizable value of parts inventory, giving consideration to quality, slow-moving items, obsolescence, excessive levels, and other factors. Parts inventories that have not turned over in more than a year, excluding parts classified as critical spares, are reviewed for obsolescence and, if deemed appropriate, are included in the determination of an allowance for obsolescence.

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

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

Mineral Properties and Development Costs—Mineral properties and development costs, which are referred to collectively as mineral properties, include acquisition costs, the cost of drilling wells, and the cost of other development work, all of which are capitalized. Depletion of mineral properties is calculated using the

units-of-production method over the estimated life of the relevant ore body. The lives of reserves used for accounting purposes are shorter than current reserve life determinations due to uncertainties inherent in long-term estimates. These reserve life estimates have been prepared by us and reviewed and independently determined by mine consultants. 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. Market price fluctuations of potash or Trio[®], as well as increased production costs or reduced recovery rates, could render proven and

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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 royalty provisions, are subject to periodic readjustment by the state and federal government, which could affect the economics of its reserve estimates. Significant changes in the estimated reserves could have a material impact on Intrepid's results of operations and financial position.

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

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

Planned Turnaround Maintenance—Each production operation typically shuts down periodically for planned maintenance activities. The costs of maintenance turnarounds at Intrepid's facilities 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. These determinations are subject to ongoing assessment.

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

Investments—Intrepid's short-term and long-term investments consist of certificates of deposit with various banking institutions, municipal tax-exempt and corporate taxable bonds, and corporate convertible debentures, which have been classified as either held-to-maturity or available-for-sale securities. Short-term investments on the consolidated balance sheets have remaining maturities to Intrepid less than or equal to one year and investments classified as long-term on the consolidated balance sheets have remaining maturities to Intrepid greater than one year. With regard to the financial instruments classified as held-to-maturity investments, they are carried on the consolidated balance sheets at cost, net of amortized premiums or discounts paid. The available-for-sale securities are carried at fair value, with changes in fair value recognized through "Accumulated other comprehensive income" on the consolidated balance sheets. Fair value is assessed using a market based approach.

Fair Value of Financial Instruments—Intrepid's financial instruments include cash and cash equivalents, short-term and long-term investments, restricted cash, accounts receivable, refundable income taxes, and accounts payable. These instruments are carried at cost, which approximates fair value due to the short-term maturities of the instruments. All available-for-sale investments are carried at fair value. Allowances for doubtful accounts are recorded against the accounts receivable balance to estimate net realizable value. The fair value of the long-term fixed-rate debt is estimated using discounted cash flow analysis based on current borrowing rates for debt with similar remaining maturities and ratings. Although there are no amounts currently outstanding under Intrepid's unsecured credit facility, any borrowings that become outstanding would bear interest at a floating rate and therefore be recorded at their estimated fair value.

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, non-vested performance units, and non-qualified stock options. The dilutive effect of stock based compensation arrangements are computed using the treasury stock method. Following the lapse of the vesting period of restricted shares of common stock, the shares are considered issued and therefore are included in the number of issued and outstanding shares for purposes of these calculations.

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Stock Based Compensation—Intrepid accounts for stock-based compensation by recording expense using the fair value of the awards at the time of grant. Intrepid has recorded compensation expense associated with the issuance of non-vested restricted shares of common stock, non-vested performance units, and non-qualified stock options, all of which are subject to service conditions. The expense associated with such awards is recognized over the service period associated with each issuance. Performance units are also subject to operational performance- or market-based conditions.

Note 3 — EARNINGS PER SHARE

Dilutive securities, including stock options, non-vested restricted stock and performance units, are excluded from the diluted weighted average shares outstanding computation in periods in which they have an anti-dilutive effect, such as when there is a net loss. 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 years ended December 31, 2013, 2012, and 2011, a weighted average of 142,968, 116,138 and 37,681 non-vested shares of restricted common stock and 317,433, 192,258 and 154,301 stock options, respectively, were anti-dilutive and therefore were not included in the diluted weighted average share calculation. For the years ended December 31, 2013, and 2012, zero and 518 shares of common stock underlying non-vested performance units, 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):

	Year Ended December 31,		
	2013	2012	2011
Net income	\$22,275	\$87,443	\$109,411
Basic weighted average common shares outstanding	75,379	75,277	75,181
Add: Dilutive effect of non-vested restricted common stock	21	46	58
Add: Dilutive effect of stock options outstanding	2	13	42
Add: Dilutive effect of performance units	5	1	—
Diluted weighted average common shares outstanding	75,407	75,337	75,281
Earnings per share:			
Basic	\$0.30	\$1.16	\$1.46
Diluted	\$0.30	\$1.16	\$1.45

Note 4 — CASH, CASH EQUIVALENTS, AND INVESTMENTS

The following table summarizes the fair value of the Company's cash and investments held in its portfolio, recorded as cash and cash equivalents or short-term or long-term investments as of December 31, 2013, and 2012 (in thousands):

	December 31,	
	2013	2012
Cash	\$18	\$6,063
Commercial paper and money market accounts	376	27,556
Total cash and cash equivalents	\$394	\$33,619
Corporate bonds	\$12,954	\$17,462
Certificates of deposit and time deposits	2,260	6,666
Total short-term investments	\$15,214	\$24,128
Corporate bonds	\$9,505	\$—
Total long-term investments	\$9,505	\$—
Total cash, cash equivalents, and investments	\$25,113	\$57,747

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The following table summarizes the cost basis, unrealized gains and losses, and fair value of Intrepid's available-for-sale investments held in its portfolio as of December 31, 2013, and 2012 (in thousands):

	December 31, 2013			
	Cost Basis	Unrealized		Fair Value
		Gain	Loss	
Corporate bonds	\$22,475	\$3	\$(19)	) \$22,459
Certificates of deposit and time deposits	2,260	—	—	2,260
Total available-for-sale securities	\$24,735	\$3	\$(19)	) \$24,719
	December 31, 2012			
	Cost Basis	Unrealized		Fair Value
		Gain	Loss	
Corporate bonds	\$17,510	\$14	\$(62)	) \$17,462
Certificates of deposit and time deposits	166	—	—	166
Total available-for-sale securities	\$17,676	\$14	\$(62)	) \$17,628

The fair values of Intrepid's investments in corporate bonds are below their respective costs due to recent increases in short-term interest rates. However, Intrepid considers the unrealized losses on these investments to be temporary given Intrepid's current plans to hold the investments to maturity, which are all within the next two years. For the years ended December 31, 2013, and 2012, Intrepid's available-for-sale investments had gross realized gains of approximately \$53,000 and \$128,000, respectively. For the years ended December 31, 2013, and 2012, Intrepid recognized gross realized losses of approximately \$21,000 and zero, respectively, on investments classified as available-for-sale.

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 December 31, 2013, and 2012, respectively (in thousands):

	December 31,	
	2013	2012
Finished goods product inventory, net	\$66,565	\$26,856
In-process mineral inventory	17,841	9,110
Total product inventory, net	84,406	35,966
Current parts inventory	20,605	17,309
Total current inventory, net	105,011	53,275
Long-term parts inventory	12,469	10,208
Total inventory, net	\$117,480	\$63,483

Parts inventories are shown net of any required reserves. During the years ended December 31, 2013, 2012, and 2011, Intrepid recorded charges of approximately \$3.7 million, \$0.6 million, and \$0.7 million, respectively, as a result of routine lower of weighted average cost or estimated net realizable value assessments on its finished goods product inventory.

Note 6 — PROPERTY, PLANT, EQUIPMENT AND MINERAL PROPERTIES

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

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	December 31,		Range of useful lives (years)	
	2013	2012	Lower Limit	Upper Limit
Buildings and plant	\$248,017	\$148,989	4	25
Machinery and equipment	472,250	334,128	3	25
Vehicles	13,455	11,868	3	7
Office equipment and improvements	18,846	15,766	2	10
Ponds and land improvements	74,166	15,835	5	25
Construction in progress	59,538	158,422		
Land	498	298		
Accumulated depreciation	(197,108	) (142,137)	
	\$689,662	\$543,169		
Mineral properties and development costs	\$145,822	\$74,712	10	25
Construction in progress	4,250	30,444		
Accumulated depletion	(13,165	) (11,060)	
	\$136,907	\$94,096		

Intrepid incurred the following costs for depreciation, depletion, amortization, and accretion, including costs capitalized into inventory, for the following periods (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Depreciation	\$57,670	\$45,559	\$33,572
Depletion	2,134	1,316	1,373
Amortization	—	—	92
Accretion	1,499	724	750
Total incurred	\$61,303	\$47,599	\$35,787

Note 7 — ACCRUED LIABILITIES

The components of "Accrued Liabilities" as of December 31, 2013, and 2012 were as follows:

	December 31,	
	2013	2012
	(in thousands)	
Accrued construction in progress	\$21,152	\$25,204
Accrued property taxes	1,714	1,327
Accrued utilities	1,868	1,768
Other accrued liabilities	5,111	4,197
Total Accrued Liabilities	\$29,845	\$32,496

Note 8 — DEBT

Unsecured Credit Facility—Intrepid has an unsecured credit facility, led by U.S. Bank, as administrative agent, and Wells Fargo Bank, as syndication agent. This unsecured credit facility provides a total revolving credit facility of up to \$250 million. The facility was amended in August 2013 to extend the maturity date by two years to August 2018, to decrease the applicable interest rates on any borrowings, to decrease the quarterly commitment fees, and to increase the maximum allowable leverage ratio to 3.5. The minimum allowable fixed charge coverage ratio under the facility remains at 1.3.

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Under the facility, the leverage ratio is defined as the ratio of total funded indebtedness to adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, and certain other expenses) for the prior four fiscal quarters. The fixed charge coverage ratio is defined as the ratio of adjusted EBITDA for the prior four fiscal quarters to fixed charges. Both ratios may operate to limit the total amount available to Intrepid under the facility.

The facility is unsecured and is guaranteed by Intrepid's material subsidiaries. As of December 31, 2013, and 2012, there were no amounts outstanding under the facility. The amount available to Intrepid under the facility is calculated based on applying the financial covenants. As of December 31, 2013, \$222 million of the facility was available to Intrepid.

Unsecured Senior Notes—In April 2013, Intrepid issued \$150 million aggregate principal amount of unsecured senior notes ("the Notes") pursuant to a note purchase agreement entered into in August 2012. Intrepid received proceeds of \$149.3 million, net of offering costs. The Notes consist of the following series:

\$60 million of 3.23% Senior Notes, Series A, due April 16, 2020

\$45 million of 4.13% Senior Notes, Series B, due April 14, 2023

\$45 million of 4.28% Senior Notes, Series C, due April 16, 2025

The Notes are senior unsecured obligations of Intrepid and rank equally in right of payment with any other unsubordinated unsecured indebtedness of Intrepid and share the same financial covenants. The obligations under the Notes are unconditionally guaranteed by Intrepid's material subsidiaries.

Intrepid was in compliance with all covenants as of December 31, 2013.

Interest on the Notes began accruing on April 16, 2013, the date the Notes were issued. Interest is paid semiannually on April 16 and October 16 of each year, beginning on October 16, 2013.

Interest expense is recorded net of any capitalized interest associated with investments in capital projects. Intrepid incurred gross interest expense for the years ended December 31, 2013, 2012, and 2011 of \$4.9 million, \$0.9 million, and \$0.9 million, respectively. Intrepid capitalized \$3.4 million of interest during the year ended December 31, 2013. Intrepid had no capitalized interest in 2012 or 2011.

Note 9 — 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 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 upward revisions to estimated costs. The credit adjusted risk-free rates used to discount Intrepid's abandonment liabilities range from 6.9% to 8.5%. Revisions to the liability occur due to construction of new or expanded facilities, changes in estimated abandonment costs or economic lives, or if federal or state regulators enact new requirements regarding the abandonment or reclamation of mines.

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

	Year Ended December 31,			
	2013	2012	2011	
Asset retirement obligation, at beginning of period	\$20,579	\$9,708	\$9,478	
Liabilities settled	(571	) (173) —	
Liabilities incurred	351	2,114	222	
Changes in estimated obligations	(811) 8,206	(742)
Accretion of discount	1,499	724	750	
Total asset retirement obligation, at end of period	\$21,047	\$20,579	\$9,708	

The current portion of asset retirement obligations of \$1.1 million and \$1.2 million was included in "Other" current liabilities on the consolidated balance sheets as of December 31, 2013, and December 31, 2012. The undiscounted amount of

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asset retirement obligation is \$54.9 million as of December 31, 2013, of which Intrepid estimates approximately \$8.8 million in payments may occur in the next five years.

Note 10 — COMPENSATION PLANS

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

Equity Incentive Compensation Plan—Intrepid's Board of Directors and stockholders have adopted a long-term incentive compensation plan called the Intrepid Potash, Inc. Equity Incentive Plan, as Amended and Restated (the "Plan"). Intrepid has issued common stock, restricted shares of common stock, performance units, and non-qualified stock option awards under the Plan. As of December 31, 2013, the following awards were outstanding under the plan: 352,050 shares of non-vested restricted shares of common stock; 32,028 non-vested performance units representing shares of common stock; and options to purchase 337,587 shares of common stock. As of December 31, 2013, approximately 3.7 million shares of common stock remained available for issuance under the Plan.

Common Stock—On an annual basis, under the Plan, the Compensation Committee of the Board of Directors (the "Compensation Committee") approves the award of shares of common stock to the non-employee members of the Board of Directors as compensation for service for the period ending on the date of Intrepid's annual stockholders' meeting for the following year. During the years ended December 31, 2013, 2012 and 2011, the Compensation Committee approved awards of 17,680, 14,812 and 9,616 shares of common stock, respectively. These shares of common stock were granted without restrictions and vested immediately.

Non-vested Restricted Shares of Common Stock—Under the 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 shares of common stock provide voting and regular dividend rights to the holders of the awards. Upon vesting, the restrictions on the restricted shares of common stock lapse and the shares are considered issued and outstanding.

Since 2009, the Compensation Committee has issued restricted shares of common stock under the Plan in the first quarter of each year to Intrepid's executive management team and other selected employees as part of an annual equity award program. These awards vest ratably over three years. From time to time, the Compensation Committee grants restricted shares of common stock to newly hired or promoted employees or other employees or consultants who have achieved extraordinary personal performance objectives. These restricted shares of common stock generally vest over one- to four-year periods.

In measuring compensation expense associated with the grant of non-vested restricted shares of 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 non-vested restricted shares of common stock awards was \$3.5 million, \$3.2 million and \$3.2 million, for the years ended December 31, 2013, 2012, and 2011, respectively. These amounts are net of estimated forfeiture adjustments. As of December 31, 2013, there was \$4.9 million of total remaining unrecognized compensation expense related to non-vested restricted common stock awards that will be expensed through 2015. A summary of activity relating to Intrepid's non-vested restricted common stock activity for the year ended December 31, 2013, is presented below.

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	Shares	Weighted Average Grant-Date Fair Value
Non-vested restricted common stock, beginning of period	240,757	\$26.04
Granted	235,490	\$19.25
Vested	(104,033	) \$26.27
Forfeited	(20,164	) \$22.13
Non-vested restricted common stock, end of period	352,050	\$21.65

Performance Units—Since 2012, the Compensation Committee has granted performance units under the Plan to certain members of Intrepid's executive management team as part of the annual equity award program. The Compensation Committee issued two types of performance units: an operational performance-based award and a market condition-based award. The awards contain service conditions associated with continued employment, as well as an operational performance or market condition. The operational performance conditions are based on tons of potash and Trio[®] produced, and the market conditions are based on Intrepid's stock performance relative to a peer group and a broad market index. Based on performance under these metrics for the year ended December 31, 2013, the Compensation Committee certified that a total of 23,139 shares of common stock were earned under these awards, subject to vesting requirements. These performance shares are subject to vesting conditions that provided for issuance over a three-year period assuming continued employment by the individual grantees through the vesting dates. For the years ended December 31, 2013, and 2012, Intrepid recognized stock based compensation related to performance units of approximately \$0.7 million and \$0.4 million.

Non-qualified Stock Options—From 2009 to 2011, the Compensation Committee issued non-qualified stock options under the Plan in the first quarter of each year to Intrepid's executive management and other selected employees as part of its annual award program. These stock options generally vest ratably over 3 years. In measuring compensation expense for this grant of options, Intrepid estimated the fair value of the award 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. No stock options were issued in the years ended December 31, 2013, and 2012.

The following assumptions were used to compute the weighted average fair market value of options granted during the period presented.

	Year Ended December 31, 2011	
Risk free interest rate	2.6	%
Dividend yield	—	
Estimated volatility	56	%
Expected option life	6 years	

Intrepid's computation of the estimated volatility was based on the historic volatility of its and selected peer companies' common stock over the expected option life. The peer companies selected had volatility that was highly correlated to Intrepid's common stock from the date of the initial public offering to the dates of grant. This peer information was utilized because Intrepid had 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 being exercised or forfeited, 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 was based on the U.S. Treasury constant maturity yield at the time of grant over the expected option life.

For the years ended December 31, 2013, 2012, and 2011, Intrepid recognized stock-based compensation related to previously issued stock options of approximately \$0.6 million, \$1.2 million and \$1.4 million, respectively. As of December 31, 2013, there was \$0.1 million of total remaining unrecognized compensation expense related to unvested non-

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qualified stock options that will be expensed through 2013 and 2014. Realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to stock compensation for such options are regarded as “excess tax benefits.”

A summary of Intrepid’s stock option activity for the year ended December 31, 2013, 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, beginning of period	344,691	\$26.26			\$13.13
Exercised	—				—
Forfeited	(1,474)	\$35.69			\$19.59
Expired	(5,630)	\$25.03			\$12.27
Outstanding non-qualified stock					
options, end of period	337,587	\$26.24	\$—	5.7	\$13.12
Vested or expected to vest, end of period	337,186	\$26.23	\$—	5.7	\$13.11
Exercisable non-qualified stock options, end of period	307,664	\$25.32	\$—	5.7	\$12.50

(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.

The weighted average grant-date fair value per share of options granted during the year ended December 31, 2011, was \$19.59.

Note 11 — INCOME TAXES

Intrepid’s income tax provision is comprised of the elements below. A summary of the provision for income taxes is as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Current portion of income tax expense (benefit):			
Federal	\$(14,243)	\$10,224	\$12,191
State	(31)	1,237	4,631
Deferred portion of income tax expense:			
Federal	25,050	32,451	38,133
State	5,042	5,572	10,895
Total income tax expense	\$15,818	\$49,484	\$65,850

As of December 31, 2013, and 2012, Intrepid had a net deferred tax asset. Intrepid believes that it is more likely than not that the results of future operations should generate sufficient taxable income to realize the deferred tax assets, except for certain capital loss and state carryforwards for which a \$2.2 million valuation allowance has been recorded, of which \$1.8 million was incurred and recorded in 2013. As of December 31, 2013, Intrepid had approximately \$30 million of federal net operating loss carryforwards which expire in 2033. Intrepid also has approximately \$4.4 million in federal alternative minimum tax credits, and \$1.9 million of research and development credits which begin to expire in 2031. There are no items that require disclosure in accordance with the Financial Accounting Standards Board’s

("FASB") guidance on accounting for uncertainty in income taxes.

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	December 31,	
	2013	2012
	(in thousands)	
Current deferred tax assets (liabilities):		
Prepaid expenses	\$(2,141	) \$(1,897
Inventory	6,864	1,649
Accrued employee compensation and benefits	1,764	2,044
Equity compensation	1,093	758
Other	761	(549
Total current deferred tax assets	8,341	2,005
Non-current deferred tax assets:		
Property, plant, equipment and mineral properties, net	108,049	156,415
Asset retirement obligation	9,073	8,304
AMT credits	4,417	6,811
Net operating loss carryforward	10,600	—
Other	11,710	9,018
Total non-current deferred tax assets	143,849	180,548
Total deferred tax asset	\$ 152,190	\$ 182,553

Intrepid is required to evaluate its deferred tax assets and liabilities each reporting period 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. The estimated statutory income tax rates that are applied to Intrepid's current and deferred income tax calculations are impacted most significantly by the tax jurisdictions in which Intrepid is doing business. Changing business conditions for normal business transactions and operations, as well as changes to state tax rates and apportionment laws, potentially alter the apportionment of income among the states for income among the states for income tax purposes. These changes to apportionment laws result in changes in the calculation of Intrepid's current and deferred income taxes, including the valuation of its deferred tax assets and liabilities. The effects of any such changes are recorded in the period of the adjustment. Such adjustments can increase or decrease the net deferred tax asset on the balance sheet and impact the corresponding deferred tax benefit or deferred tax expense on the income statement. As of December 31, 2013, Intrepid's estimate of our blended state tax rate increased, resulting in an increase of the value of the deferred tax asset by net \$0.9 million to reflect changes in business conditions in concert with changes in apportionment rules of the states in which it operates, and a decrease in the state tax rate for the state of New Mexico.

A decrease of Intrepid's state tax rate decreases the value of its deferred tax asset, resulting in additional deferred tax expense being recorded in the income statement. Conversely, an increase in Intrepid's state income tax rate would increase the value of the deferred tax asset, resulting in an increase in Intrepid's deferred tax benefit. Because of the magnitude of the temporary differences between book and tax basis in the assets of Intrepid, relatively small changes in the state tax rate may have a pronounced impact on the value of the net deferred tax asset.

Income tax expense for Intrepid differs from the amount that would be provided by applying the statutory U.S. federal income tax rate to income before income taxes. The difference is due to the impacts of percentage depletion, bonus depreciation, the effect of state income taxes, the estimated effect of the domestic production activities deduction, and other temporary and permanent differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases.

A reconciliation of the statutory rate to the effective rate is as follows (in thousands, except percentages):

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	Year Ended December 31,		
	2013	2012	2011
Federal taxes at statutory rate	\$13,333	\$47,924	\$61,341
Add:			
State taxes, net of federal benefit	3,322	3,443	9,072
Domestic production activities deduction	1,265	(191)	(994)
Change in valuation allowance	1,841	—	437
Research and development credits	(1,560)	(326)	—
Change in state tax rate	(948)	981	(3,699)
Percentage depletion	(1,841)	(1,623)	—
Other	406	(724)	(307)
Net expense as calculated	\$15,818	\$49,484	\$65,850
Effective tax rate	41.5	% 36.1	% 37.6

Note 12 — COMMITMENTS AND CONTINGENCIES

Marketing Agreements—Intrepid has a marketing agreement appointing PCS Sales (USA), Inc. (“PCS Sales”) as its exclusive sales representative for potash export 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 30 days' written notice.

Reclamation Deposits and Surety Bonds—As of December 31, 2013, and 2012, Intrepid had \$17.3 million and \$7.9 million, respectively, of security placed principally with the State of Utah and the BLM for eventual reclamation of its various facilities. Of this total requirement, as of December 31, 2013, and 2012, \$0.5 million and \$0.5 million consisted of long-term restricted cash deposits reflected in “Other” long-term assets on the balance sheet, and \$16.8 million and \$7.4 million, respectively, was secured by surety bonds issued by an insurer. The surety bonds are held in place by an annual fee paid to the issuer.

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

New Mexico Employment Credits—During 2011, based on an approval and payment of an application with the State of New Mexico, Intrepid recorded \$7.9 million of other operating income from the New Mexico High Wage Jobs Credit. Intrepid considered the approval and payment of these credits to be confirmation that the criteria for recognition was deemed probable and reasonably estimable. Since that time, Intrepid has recorded, and continues to record, the value of estimated refundable employment-related credits for qualified wages paid in New Mexico. The estimated recoverable value of these credits has been, and continues to be, reflected as a reduction to production costs and amounts yet to be collected are recorded in “Other receivables, net” in the consolidated balance sheets in the same period in which the credit is earned.

During 2013, the New Mexico Taxation and Revenue Department denied Intrepid's application to receive the New Mexico High Wage Jobs Credit for certain prior years' filings. Intrepid believes the denial is improper and intends to vigorously pursue recovery of these credits. Nonetheless, in 2013, Intrepid recorded a reserve of approximately \$2.8 million for credits relating to the denied periods in order to reflect the denial of the claimed credits. As the product inventory associated with the denied credits for periods prior to 2012 has since been sold, Intrepid recorded the expense associated with recording the reserve as an “Other expense” in Operating income in 2013. The value of credits associated with 2013 and 2012 have been established as a net receivable as of December 31, 2013, and is reflected in “Other receivables, net” in the consolidated balance sheets.

Legal—Intrepid is subject to litigation. Intrepid has determined that there are no material claims outstanding as of December 31, 2013. However, Intrepid has established a 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, and railcars, with original terms ranging up to 20 years. The annual minimum lease

payments for the next five years and thereafter are presented below.

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Years Ending December 31,	(In thousands)
2014	\$4,045
2015	3,906
2016	3,478
2017	3,332
2018	3,256
Thereafter	1,234
Total	\$19,251

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

For the year ended December 31, 2013	\$4,428
For the year ended December 31, 2012	\$4,175
For the year ended December 31, 2011	\$4,865

Note 13 — DERIVATIVE FINANCIAL INSTRUMENTS

Intrepid is exposed to global market risks, including the effect of changes in commodity prices and interest rates. From time to time, Intrepid 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 had been used for risk management purposes, and were originally entered into as economic hedges, they had not been designated as hedging instruments for accounting purposes.

Interest Rates

Prior to Intrepid's initial public offering in April 2008, Intrepid's predecessor historically managed a portion of its floating interest rate exposure on outstanding debt through the use of interest rate derivative contracts, as required by its credit agreement. Intrepid repaid its assumed debt obligations immediately subsequent to the closing of its initial public offering and, in the year ended December 31, 2012, closed its positions in the derivative financial instruments also assumed from its predecessor.

Intrepid did not have any derivative instruments outstanding during the year ended December 31, 2013. The following table presents the amounts of gain or (loss) recognized in income on derivatives affecting the consolidated statement of operations for the periods presented (in thousands):

Derivatives not designated as hedging instruments	Location of gain (loss) recognized in income on derivative	Year Ended December 31,	
		2012	2011
Interest rate contracts:			
Realized loss	Interest expense	\$(1,103	) \$(1,436
Unrealized gain	Interest expense	1,049	1,289
Total loss	Interest expense	\$(54) \$(147

Note 14 — FAIR VALUE MEASUREMENTS

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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, as follows:

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

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

Level 3—Significant inputs to the valuation model are unobservable.

The following is a listing of Intrepid's assets and liabilities required to be measured at fair value on a recurring basis and where they are classified within the hierarchy as of December 31, 2013 (in thousands):

		Fair Value at Reporting Date Using		
		Quoted Prices in		
		Active Markets	Significant	Significant
		for Identical	Observable	Unobservable
	December 31, 2013	Assets or	Inputs	Inputs
		Liabilities	(Level 2)	(Level 3)
		(Level 1)		
Investments				
Corporate bonds	\$22,459	\$—	\$22,459	\$—
		Fair Value at Reporting Date Using		
		Quoted Prices in		
		Active Markets	Significant	Significant
		for Identical	Observable	Unobservable
	December 31, 2012	Assets or	Inputs	Inputs
		Liabilities	(Level 2)	(Level 3)
		(Level 1)		
Investments				
Corporate bonds	\$17,462	\$—	\$17,462	\$—
Certificate of deposits	\$166	\$—	\$166	\$—

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 corporate bonds and certain certificate of deposits that are valued using Level 2 inputs. Market pricing for these investments is obtained from an established financial markets data provider.

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.

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Financial Instruments—The carrying values and fair values of our financial instruments as of December 31, 2013, and December 31, 2012, are as follows (in thousands):

	December 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 394	\$ 394	\$ 33,619	\$ 33,619
Certificate of deposits	2,260	2,260	6,666	6,666
Accounts receivable	28,294	28,294	40,630	40,630
Refundable income taxes	15,722	15,722	3,306	3,306
Accounts payable	27,602	27,602	19,634	19,634
Long-term debt	\$ 150,000	\$ 129,000	\$—	\$—

For cash and cash equivalents, certificate of deposit investments, accounts receivable, refundable income taxes, and accounts payable, the carrying amount approximates fair value because of the short-term maturity of those instruments. As no established market for the long-term debt exists, the fair value of the long-term debt is estimated using discounted cash flow analysis based on current borrowing rates for debt with similar remaining maturities and ratings (a Level 2 input) and is designed to approximate the amount at which the instruments could be exchanged in an arm's length transaction between knowledgeable willing parties.

Note 15 — EMPLOYEE BENEFITS

401(k) Plan

Intrepid maintains a savings plan qualified under Internal Revenue Code Sections 401(a) and 401(k). The 401(k) Plan is available to all eligible employees of all of the consolidated entities. Employees may contribute amounts as allowed by the U.S. Internal Revenue Service ("IRS") to the 401(k) Plan (subject to certain restrictions) in before-tax contributions. Intrepid matches employee contributions on a dollar-for-dollar basis up to a maximum of 5% and also based on the employee's base compensation. Intrepid's contributions to the 401(k) Plan in the following periods were (in thousands):

	Contributions
For the year ended December 31, 2013	\$2,323
For the year ended December 31, 2012	\$2,022
For the year ended December 31, 2011	\$1,293

Defined Benefit Pension Plan

In accordance with the terms of the Moab Purchase Agreement associated with the purchase of the Moab assets in 2000, Intrepid and its predecessor 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 acquiree to Intrepid were granted credit under the Pension Plan for their prior service and for the benefits they had accrued under the acquiree's pension plan, and approximately \$1.5 million was transferred from the acquiree's pension plan to the Pension Plan to accommodate the recognition of such prior service and benefits. In February 2002, Intrepid "froze" the benefits to be paid under the Pension Plan 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. However, Intrepid was required to maintain the Pension Plan for the existing participants and for the benefits they had accrued as of that date.

In December 2011, Intrepid adopted resolutions to terminate the Pension Plan. After receiving the necessary regulatory approvals, plan amendments, and participant settlement elections, Intrepid funded \$2.0 million to settle all pension plan liabilities in April 2013. Upon funding, Intrepid was released from any further obligations under the pension plan. Accordingly, Intrepid recorded additional expense of approximately \$1.9 million to reflect the termination of the pension plan in the year ended December 31, 2013. This amount is recorded as "Other income (expense)" in the consolidated statement of

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operations and represents the difference between the final amount funded and the sum of the recorded pension liability and the unrecognized actuarial loss included in accumulated other comprehensive income.

The following table (in thousands, except percentages) provides a reconciliation of the changes in the Pension Plan's benefit obligations and fair value of assets for the years ended December 31, 2013, 2012, and 2011, as measured on those dates, and a statement of the funded status as of December 31, 2013, 2012, and 2011. The impact of the decision to terminate the plan is estimated in the amounts disclosed below.

	Year Ended December 31,		
	2013	2012	2011
Obligations and funded status at period end:			
Change in benefit obligation:			
Projected benefit obligation at beginning of period	\$5,486	\$4,870	\$3,802
Interest cost	28	93	195
Benefit payments	(5,721)	(175)	(143)
Actuarial losses	207	698	1,146
Plan amendments	—	—	(130)
Projected benefit obligation at end of period	—	5,486	4,870
Accumulated benefit obligation at end of period	—	5,486	4,870
Change in plan assets:			
Fair value of plan assets at beginning of period	\$3,702	\$3,758	\$2,789
Actual return on assets (net of expenses)	(1)	26	(43)
Employer contributions	2,020	93	1,155
Benefit payments	(5,721)	(175)	(143)
Fair value of plan assets at end of period	—	3,702	3,758
Unfunded status (1)	—	(1,784)	(1,112)
Items not yet recognized as a component of net periodic pension cost:			
Prior service cost arising during current period	\$—	\$(115)	\$(131)
Unrecognized actuarial loss	\$—	\$2,930	\$2,501
Prepaid benefit cost	\$—	\$1,031	\$1,258
Accumulated other comprehensive income:			
Prior service credit	\$—	\$(115)	\$(131)
Net loss	\$—	\$2,930	\$2,501
Components of net periodic benefit cost:			
Interest cost	\$28	\$93	\$195
Expected return on assets	—	—	(195)
Amortization of prior service cost	(5)	(16)	—
Amortization of actuarial loss	100	242	101
Settlement loss	2,928	—	—
Net period benefit cost	\$3,051	\$319	\$101
Other comprehensive income	\$—	\$445	\$1,153
Amounts included in AOCI expected to be recognized during the next fiscal year:			
Actuarial loss	\$—	\$285	\$227

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(1) As of December 31, 2012, and 2011, amount is recognized on Intrepid's consolidated balance sheet in "Accrued employee compensation and benefits."

For December 31, 2012, projected benefit obligation and the accumulated benefit obligation final distribution of plan benefits in 2012 was assumed. The interest rates used were 2.7% for benefits currently in payment and 3.4% for all other annuity benefits. Lump sum benefits were valued using interest rates of 1.0% for years zero to four, 3.5% for years five to 19 and 4.6% for years 20 and after.

Prior to 2012, the basis used to determine the overall expected long-term rate of return on assets assumption was an analysis of the historical rate of return for a portfolio with a similar asset allocation. The assumed long-term asset allocation for the plan was 47% equity securities, 43% fixed income, 5% real estate, and 5% cash. In 2013, Intrepid liquidated the investment positions and reinvested the proceeds in U.S. treasury bills or similar investments prior to settling all pension plan liabilities.

Asset Allocation Strategy: Prior to the determination to liquidate the plan, the plan's investment policy strategy for pension plan assets is to seek relatively stable growth in the value of investable assets supplemented by a low level of income. The main objective was to provide steady growth while limiting fluctuations to less than those of the overall stock market. As the Pension Plan had a long-term investment horizon, limited liquidity needs, high exposure to purchasing power risk, and little concern for income stability, Intrepid had set the following target asset allocations: 20% to 75% U.S. equity securities, 0% to 20% international equities, 0% to 30% absolute returns, 10% to 40% corporate bonds, 0% to 10% REITs, 0% to 10% commodities, and 5% to 28% short-term Treasury bonds. Under the plan guidelines, there are no prohibited investment types.

Fair Value Measurement of Plan Assets: The fair value of the major asset classes of the Pension Plan's assets using the fair value hierarchy as described in the footnote titled Fair Value Measurements and the inputs and valuation techniques used to measure fair value of such assets as of December 31, 2012, is as follows (in thousands):

Asset Class	December 31, 2012	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)
Cash equivalents:				
Money market mutual fund	\$3,702	\$3,702	\$—	\$—

Cash Flows

Contributions: Intrepid contributed approximately \$2.0 million to the Pension Plan in 2013.

Note 16 — RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of "Accumulated other comprehensive loss," net of tax, as of December 31, 2013, were as follows (in thousands):

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	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Pension Plan	Total
Balance as of December 31, 2012	\$ (29)	\$ (1,700)	\$ (1,729)
Other comprehensive income before reclassifications	(4)	—	(4)
Amounts reclassified from accumulated other comprehensive loss	23	1,700	1,723
Net current-period other comprehensive income	\$ 19	\$ 1,700	\$ 1,719
Balance as of December 31, 2013	\$ (10)	\$ —	\$ (10)

The effects on net income of amounts reclassified from Accumulated other comprehensive loss for year ended December 31, 2013, were as follows (in thousands):

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Consolidated Statement of Operations
Unrealized losses on available-for-sale securities	\$ 38	Other income (expense)
Total before tax	38	
Tax benefit	(15)	
Net of tax	\$ 23	
Pension liability adjustment		
Amortization of prior service cost and actuarial loss	\$ 71	Selling and administrative
Termination of pension plan expense	2,744	Other income (expense)
Total before tax	2,815	
Tax benefit	(1,115)	
Net of tax	\$ 1,700	
Total reclassification for the period, net of tax	\$ 1,723	

Note 17 — RECOGNITION OF COMPENSATING TAX REFUND

In the second quarter of 2013, Intrepid received a refund from the State of New Mexico related to a compensating tax refund submitted for the period from December 2008 to October 2011. This refund consists of items for which Intrepid made compensating tax payments on behalf of vendors, as well as compensating tax payments on construction-related and service items during a period when the law was deemed unconstitutional. Upon receipt of the refund, which removed uncertainty about the amount and collection of the refund, Intrepid recorded \$1.7 million of income, which is reflected in "Other (expense) income" included in Operating income in the consolidated statements of operations for the year ended December 31, 2013.

Note 18 — RECOGNITION OF INCOME ASSOCIATED WITH DEFERRED INSURANCE PROCEEDS

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

was paid to Intrepid in April 2011.

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Note 19 — CONCENTRATION OF CREDIT RISK

Credit risk represents the loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk, whether on or off balance sheet, that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Intrepid's products are marketed for sale into three primary markets. These markets are the agricultural market as a fertilizer, the industrial market as a component in drilling fluids for oil and gas exploration, and the animal feed market as a nutrient. Credit risks associated with the collection of accounts receivable are primarily related to the impact of external factors on our customers. Our customers are distributors and end-users whose credit worthiness and ability to meet their payment obligations will be affected by factors in their industries and markets. Those factors include soil nutrient levels, crop prices, weather, the type of crops planted, changes in diets, growth in population, the amount of land under cultivation, fuel prices and consumption, oil and gas drilling and completion activity, the demand for biofuels, government policy, and the relative value of currencies.

In 2013, 2012, and 2011, one of our distributor customers accounted for approximately 11%, 22%, and 17%, respectively, of our sales, and another distributor customer who accounted for 7%, 9%, and 12% of sales, respectively. Intrepid operates in a competitive industry, and although Intrepid considers its relationship with these customers to be very important, Intrepid does not believe that the loss of these customers or a significant decline in their purchases would have a material adverse long-term effect on its financial results due to the regional demands for Intrepid's product.

In each of the last three years ended December 31, 2013, 2012, and 2011, approximately 96% of our sales were sold to customers located in the United States.

Intrepid maintains cash accounts with several financial institutions. At times, the balances in the accounts may exceed the \$250,000 balance insured by the Federal Deposit Insurance Corporation.

Note 20 — QUARTERLY FINANCIAL DATA (UNAUDITED) (in thousands, except per share amounts)

	Three Months Ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Sales	\$73,806	\$70,569	\$92,680	\$99,257
Cost of Goods Sold	\$57,308	\$46,780	\$55,003	\$53,773
Gross Margin	\$3,159	\$12,903	\$28,053	\$33,800
Net (Loss) Income	\$(5,987)	) \$2,026	\$11,317	\$14,919
(Loss) Earnings Per Share, Basic	\$(0.08)	) \$0.03	\$0.15	\$0.20
(Loss) Earnings Per Share, Diluted	\$(0.08)	) \$0.03	\$0.15	\$0.20

	Three Months Ended			
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Sales	\$110,939	\$129,350	\$98,784	\$112,243
Cost of Goods Sold	\$61,453	\$63,382	\$51,064	\$60,581
Gross Margin	\$37,183	\$51,854	\$39,895	\$41,206
Net Income	\$14,537	\$33,267	\$19,013	\$20,626
Earnings Per Share, Basic	\$0.19	\$0.44	\$0.25	\$0.27
Earnings Per Share, Diluted	\$0.19	\$0.44	\$0.25	\$0.27