Intrepid Potash, Inc.
Form 10-Q
July 31, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended June 30, 2014
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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically 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 x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
As of July 30, 2014, the registrant had 76,089,237 shares of common stock, par value $0.001, outstanding (including 561,002 restricted shares of common stock).

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PART I - FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
INTREPID POTASH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amount)

	June 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$31,069	$394
Short-term investments	4,013	15,214
Accounts receivable:		
Trade, net	33,036	20,837
Other receivables	5,103	7,457
Refundable income taxes	14,734	15,722
Inventory, net	86,672	105,011
Prepaid expenses and other current assets	3,700	5,653
Current deferred tax asset	5,525	8,341
Total current assets	183,852	178,629
Property, plant, equipment, and mineral properties, net	812,172	826,569
Long-term parts inventory, net	13,592	12,469
Long-term investments	2	9,505
Other assets, net	4,132	4,252
Non-current deferred tax asset	146,687	143,849
Total Assets	$1,160,437	$1,175,273
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable:		
Trade	$15,923	$27,552
Related parties	31	50
Accrued liabilities	18,238	29,845
Accrued employee compensation and benefits	10,427	9,122
Other current liabilities	1,206	2,059
Total current liabilities	45,825	68,628
Long-term debt	150,000	150,000
Asset retirement obligation	20,648	19,959
Other non-current liabilities	2,853	2,715
Total Liabilities	219,326	241,302
Commitments and Contingencies		
Common stock, $0.001 par value; 100,000,000 shares authorized; and 75,528,235 and 75,405,410 shares outstanding at June 30, 2014, and December 31, 2013, respectively	76	75
Additional paid-in capital	574,536	572,616
Accumulated other comprehensive income (loss)	2	(10)
Retained earnings	366,497	361,290
Total Stockholders' Equity	941,111	933,971
Total Liabilities and Stockholders' Equity	$1,160,437	$1,175,273

See accompanying notes to these condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales	$110,949	$92,680	$209,824	$191,937
Less:				
Freight costs	11,760	6,526	21,691	14,623
Warehousing and handling costs	2,988	3,094	5,800	6,673
Cost of goods sold	79,383	55,003	157,957	108,776
Lower-of-cost-or-market inventory adjustments	1,140	4	4,706	12
Gross Margin	15,678	28,053	19,670	61,853
Selling and administrative	7,064	8,639	13,810	18,131
Accretion of asset retirement obligation	406	374	811	749
Restructuring expense	—	—	1,827	—
Other operating (income)	(305)	(1,340)	(3,250)	(1,169)
Operating Income	8,513	20,380	6,472	44,142
Other Income (Expense)				
Interest expense	(1,556)	(219)	(2,936)	(432)
Interest income	22	163	75	215
Other income (expense)	225	(1,836)	460	(1,820)
Income Before Income Taxes	7,204	18,488	4,071	42,105
Income Tax (Expense) Benefit	(1,642)	(7,171)	1,136	(15,869)
Net Income	$5,562	$11,317	$5,207	$26,236
Weighted Average Shares Outstanding:				
Basic	75,514,991	75,383,108	75,480,165	75,361,951
Diluted	75,573,918	75,399,566	75,534,138	75,396,164
Earnings Per Share:				
Basic	$0.07	$0.15	$0.07	$0.35
Diluted	$0.07	$0.15	$0.07	$0.35

See accompanying notes to these condensed consolidated financial statements.

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INTREPID POTASH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income	$5,562	$11,317	$5,207	$26,236
Other Comprehensive Income:				
Pension liability adjustment, net of tax	—	1,657	—	1,700
Unrealized (loss) gain on investments available for sale, net of tax	—	(250)	12	(221)
Other Comprehensive Income	—	1,407	12	1,479
Comprehensive Income	$5,562	$12,724	$5,219	$27,715

See accompanying notes to these condensed consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2013	75,405,410	$75	$572,616	$ (10)	$361,290	$ 933,971
Unrealized gain on investments available for sale, net of tax	—	—	—	12	—	12
Net income	—	—	—	—	5,207	5,207
Stock-based compensation	—	—	2,531	—	—	2,531
Vesting of restricted common stock, net of restricted common stock used to fund employee income tax withholding due upon vesting	122,825	1	(611)	—	—	(610)
Balance, June 30, 2014	75,528,235	$76	$574,536	$ 2	$366,497	$ 941,111

See accompanying notes to these condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2014	2013
Cash Flows from Operating Activities:		
Reconciliation of net income to net cash provided by operating activities:		
Net income	$5,207	$26,236
Deferred income taxes	(28)	15,526
Items not affecting cash:		
Depreciation, depletion, and accretion	39,523	28,479
Stock-based compensation	2,531	2,677
Lower-of-cost-or-market inventory adjustments	4,706	12
Other	(52)	1,361
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(12,200)	(4,314)
Other receivables, net	2,354	(1,492)
Refundable income taxes	989	(76)
Inventory, net	12,510	(18,610)
Prepaid expenses and other assets	1,852	1,492
Accounts payable, accrued liabilities, and accrued employee compensation and benefits	(707)	(3,405)
Other liabilities	(836)	(442)
Net cash provided by operating activities	55,849	47,444
Cash Flows from Investing Activities:		
Additions to property, plant, equipment, and mineral properties	(45,139)	(123,759)
Proceeds from sale of property, plant, equipment, and mineral properties	—	68
Purchases of investments	(7)	(80,234)
Proceeds from sale of investments	20,583	21,839
Net cash used in investing activities	(24,563)	(182,086)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	—	150,000
Debt issuance costs	—	(603)
Employee tax withholding paid for restricted stock upon vesting	(611)	(577)
Net cash (used in) provided by financing activities	(611)	148,820
Net Change in Cash and Cash Equivalents	30,675	14,178
Cash and Cash Equivalents, beginning of period	394	33,619
Cash and Cash Equivalents, end of period	$31,069	$47,797
Supplemental disclosure of cash flow information		
Net cash paid (refunded) during the period for:		
Interest	$2,820	$264
Income taxes	$(2,097)	$2,302
Accrued purchases for property, plant, equipment, and mineral properties	$7,672	$30,916

See accompanying notes to these condensed consolidated financial statements.

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INTREPID POTASH, INC.
NOTES TO CONDENSED 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®, is 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. Production comes from two conventional underground mines, the HB Solar Solution mine and a compaction facility 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. 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 per ton to Intrepid. Intrepid calculates average net realized sales price per ton 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. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation of interim financial information, have been included. On the condensed consolidated balance sheet, Intrepid combined property, plant and equipment, net of accumulated depreciation, with mineral properties and development costs, net of depletion, as of December 31, 2013.

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, depreciation expense, and estimates associated with recoverability of long-lived assets and asset retirement obligations. 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.

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,

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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; concentrate production and 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.

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 group'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 asset groups may have a material effect on our financial position and results of operations. Sales price is a significant element of any cash flow estimate, particularly for higher cost 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 production 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 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.

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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, which are classified as available-for-sale securities. Short-term investments on the condensed consolidated balance sheets have remaining maturities to Intrepid less than or equal to one year and investments classified as long-term on the condensed consolidated balance sheets have remaining maturities to Intrepid greater than one year. The available-for-sale securities are carried at fair value, with changes in fair value recognized through "Accumulated other comprehensive income (loss)" on the condensed 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 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 or loss per common share of stock is calculated by dividing net income or loss available to common stockholders by the weighted average basic common shares outstanding for the respective period.

Diluted net income or loss per common share of stock is calculated by dividing net income or loss by the weighted average diluted common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for the diluted earnings or loss 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.

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 these awards is recognized over the service

period associated with each issuance.

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Note 3 — EARNINGS PER SHARE

Dilutive securities, including non-vested restricted common stock, stock options, 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 common stock, stock options outstanding, and performance units. For the three months ended June 30, 2014, and 2013, 137,093 and 172,089 non-vested shares of restricted common stock and 333,612 and 344,162 stock options, respectively, were anti-dilutive and therefore were not included in the diluted weighted average share calculation. For the three months ended June 30, 2014, and 2013, zero and 3,272 shares of common stock underlying non-vested performance units were anti-dilutive and therefore were not included in the diluted weighted average share calculation.

For the six months ended June 30, 2014, and 2013, 107,285 and 106,201 non-vested shares of restricted common stock and 335,171 and 294,459 stock options, respectively, were anti-dilutive and therefore were not included in the diluted weighted average share calculation. For the six months ended June 30, 2014, and 2013, zero and 1,636 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	$5,562	$11,317	$5,207	$26,236
Basic weighted average common shares outstanding	75,515	75,383	75,480	75,362
Add: Dilutive effect of non-vested restricted common stock	49	11	43	24
Add: Dilutive effect of stock options outstanding	—	—	—	4
Add: Dilutive effect of performance units	10	6	11	6
Diluted weighted average common shares outstanding	75,574	75,400	75,534	75,396
Earnings per share:				
Basic	$0.07	$0.15	$0.07	$0.35
Diluted	$0.07	$0.15	$0.07	$0.35

Note 4— CASH, CASH EQUIVALENTS, AND INVESTMENTS

The following table summarizes the fair value of Intrepid's cash and investments held in its portfolio, recorded as cash and cash equivalents or short-term or long-term investments as of June 30, 2014, and December 31, 2013 (in thousands):

	June 30, 2014	December 31, 2013
Cash	$19,533	$18
Commercial paper and money market accounts	11,536	376
Total cash and cash equivalents	$31,069	$394
Corporate bonds	$3,013	$12,954
Certificates of deposit and time deposits	1,000	2,260
Total short-term investments	$4,013	$15,214
Corporate bonds	$2	$9,505
Total long-term investments	$2	$9,505
Total cash, cash equivalents, and investments	$35,084	$25,113

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The following tables summarize the cost basis, unrealized gains and losses, and fair value of Intrepid's available-for-sale investments held in its portfolio as of June 30, 2014, and December 31, 2013 (in thousands):

	June 30, 2014			
	Cost Basis	Unrealized Gain	Loss	Fair Value
Corporate bonds	$3,013	$2	$—	$3,015
Certificates of deposit and time deposits	1,000	—	—	1,000
Total available-for-sale securities	$4,013	$2	$—	$4,015

	December 31, 2013			
	Cost Basis	Unrealized Gain	Loss	Fair Value
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

For the three months ended June 30, 2014, and 2013, Intrepid recognized gross realized gains of approximately zero and $35,000, respectively, on the sale of investments classified as available-for-sale. For the three months ended June 30, 2014, and 2013, Intrepid recognized gross realized losses of approximately zero and $19,000, respectively, on the sale of investments classified as available-for-sale. For the six months ended June 30, 2014, and 2013, Intrepid recognized gross realized gains of approximately $13,000 and $35,000, respectively, on the sale of investments classified as available-for-sale. For the six months ended June 30, 2014, and 2013, Intrepid recognized gross realized losses of approximately zero and $19,000, respectively, on the sale of 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 June 30, 2014, and December 31, 2013, respectively (in thousands):

	June 30, 2014	December 31, 2013
Finished goods product inventory	$41,663	$66,565
In-process mineral inventory	23,133	17,841
Total product inventory	64,796	84,406
Current parts inventory, net	21,876	20,605
Total current inventory, net	86,672	105,011
Long-term parts inventory, net	13,592	12,469
Total inventory, net	$100,264	$117,480

Parts inventories are shown net of any required reserves.

During the six months ended June 30, 2014, and 2013, Intrepid recorded charges of approximately $4.7 million and $12,000, respectively, as a result of routine assessments of the lower of weighted average cost or estimated net realizable value on its finished goods product inventory.

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Note 6 — PROPERTY, PLANT, EQUIPMENT, AND MINERAL PROPERTIES

“Property, plant, equipment, and mineral properties, net" were comprised of the following (in thousands):

	June 30, 2014	December 31, 2013
Buildings and plant	$265,626	$248,017
Machinery and equipment	515,632	472,250
Vehicles	13,670	13,455
Office equipment and improvements	19,064	18,846
Ponds and land improvements	73,955	74,166
Land	908	498
Total depreciable assets	888,855	827,232
Accumulated depreciation	(233,957)	(197,108)
Total depreciable assets, net	$654,898	$630,124
Mineral properties and development costs	$160,061	$145,822
Accumulated depletion	(14,966)	(13,165)
Total depletable assets, net	$145,095	$132,657
Construction in progress	12,179	63,788
Total property, plant, equipment, and mineral properties, net	$812,172	$826,569

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Depreciation	$18,636	$13,498	$36,896	$26,678
Depletion	832	466	1,816	1,052
Accretion	406	374	811	749
Total incurred	$19,874	$14,338	$39,523	$28,479

Note 7 — 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 revolving credit facility of up to $250 million. The actual amount available to Intrepid is limited by Intrepid's leverage ratio, which may not exceed 3.5, and its fixed charge coverage ratio, which may not be below 1.3. As of June 30, 2014, $141 million of the facility was available to Intrepid as a result of the operation of these ratios.

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.

The facility is unsecured and is guaranteed by Intrepid's material subsidiaries. The facility has a maturity date of August 2018. As of June 30, 2014, and December 31, 2013, there were no amounts outstanding under the facility. During the six months ended June 30, 2014, Intrepid borrowed and repaid $12 million under the demand portion of the credit facility for near-term working capital needs. Intrepid was in compliance with the covenants under the credit facility as of June 30, 2014.

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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. The Notes are subject to the same leverage ratio and fixed charge coverage ratio as apply under the credit facility. The obligations under the Notes are unconditionally guaranteed by Intrepid's material subsidiaries.

Intrepid was in compliance with the covenants under the Notes as of June 30, 2014.

Interest is paid semiannually on April 16 and October 16 of each year. Interest expense is recorded net of any capitalized interest associated with investments in capital projects. Intrepid incurred gross interest expense for the three months ended June 30, 2014, and 2013, of $1.7 million and $1.4 million, respectively. Intrepid incurred gross interest expense for the six months ended June 30, 2014, and 2013, of $3.3 million and $1.6 million, respectively. Intrepid capitalized $0.1 million and $1.2 million of interest during the three months ended June 30, 2014, and 2013, respectively. Intrepid capitalized $0.4 million and $1.2 million of interest during the six months ended June 30, 2014, and 2013, respectively.

Note 8 — ASSET RETIREMENT OBLIGATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Asset retirement obligation, at beginning of period	$21,376	$21,114	$21,047	$20,579
Liabilities settled	(45)	(104)	(121)	(128)
Liabilities incurred	—	148	—	332
Accretion of discount	406	374	811	749
Total asset retirement obligation, at end of period	$21,737	$21,532	$21,737	$21,532

The current portion of the asset retirement obligation of $1.1 million and $1.1 million, respectively, is included in "Other" current liabilities on the condensed consolidated balance sheets as of June 30, 2014, and December 31, 2013. The undiscounted amount of asset retirement obligation is $54.8 million as of June 30, 2014.

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Note 9 — COMPENSATION PLANS

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

Equity Incentive Compensation Plan—Intrepid's Board of Directors and stockholders 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 June 30, 2014, the following awards were outstanding under the plan: 567,103 shares of non-vested restricted shares of common stock; non-vested performance units representing 19,874 shares of common stock; and options to purchase 329,787 shares of common stock. As of June 30, 2014, approximately 3.4 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") has approved 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. 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. 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 granted 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 $1.1 million and $0.9 million for the three months ended June 30, 2014, and 2013, respectively. Total compensation expense related to the non-vested restricted shares of common stock awards was $1.9 million and $1.7 million for the six months ended June 30, 2014, and 2013, respectively. These amounts are net of estimated forfeiture adjustments. As of June 30, 2014, there was $7.8 million of total remaining unrecognized compensation expense related to non-vested restricted shares of common stock that will be expensed through 2017.

A summary of activity relating to Intrepid's non-vested restricted shares of common stock for the six months ended June 30, 2014, is presented below.

	Shares	Weighted Average Grant-Date Fair Value
Non-vested restricted shares of common stock, beginning of period	352,050	$21.65
Granted	373,901	$14.46
Vested	(131,838)	$23.16
Forfeited	(27,010)	$20.23
Non-vested restricted shares of common stock, end of period	567,103	16.62

Performance Units — In 2012 and 2013, the Compensation Committee granted performance units under the Plan to certain members of Intrepid's executive management team as part of the annual equity award program. The

performance units vest ratably over three years and contain operational- and market-based conditions relating to the year of grant. The

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time frames for meeting both the operational- and market-based conditions have passed, and a total of 19,874 shares of common stock are available for future payout under the performance units, subject to continued employment of the individual grantees through the vesting dates. Intrepid recognized stock-based compensation expense related to these agreements of $0.1 million and $0.2 million in the three months ended June 30, 2014, and 2013, respectively. Intrepid recognized stock-based compensation expense related to these agreements of $0.2 million and $0.3 million in the six months ended June 30, 2014, and 2013, respectively. No performance units have been issued in 2014.

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 vested ratably over three years. In measuring compensation expense for options, Intrepid estimated the fair value of the award on the grant dates 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.

For the three months ended June 30, 2014, and 2013, Intrepid recognized stock based compensation related to previously issued stock options of approximately zero and $0.1 million, respectively. For the six months ended June 30, 2014, and 2013, Intrepid recognized stock based compensation related to previously issued stock options of approximately $0.1 million and $0.3 million, respectively. As of June 30, 2014, all outstanding stock options were fully vested. Realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to stock compensation for these options are recorded as "excess tax benefits" when the tax deductions occur.

A summary of Intrepid's stock option activity for the six months ended June 30, 2014, 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, end of period	329,787	$26.21	$—	5.3	$13.10
Vested or expected to vest, end of period	329,787	$26.21	$—	5.3	$13.10
Exercisable non-qualified stock options, end of period	329,787	$26.21	$—	5.3	$13.10

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

Note 10 — INCOME TAXES

Intrepid's effective tax rate is impacted primarily by the amount of taxable income associated with each jurisdiction in which Intrepid's income is subject to income tax, permanent differences between the financial statement carrying amounts and tax bases of assets, liabilities, and the benefit associated with the estimated effect of the depletion and domestic production activities deduction and research and development credits. During the three months ended June 30, 2014, Intrepid's effective tax rate differed from the statutory rate as a result of the benefit from estimated depletion deductions, as well as from an adjustment to the benefits received from the carry back of the net operating loss incurred in 2013. During the six months ended June 30, 3014, in addition to the items noted above, Intrepid also benefited from the reversal of a $1.7 million valuation allowance related to its New Mexico net operating loss carry forwards, as it now believes those carry forwards are realizable based on legislation passed by the State of New Mexico in the first quarter of 2014.

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A summary of the provision for income taxes is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Current portion of income tax (benefit) expense	$(1,108)	$26	$(1,108)	$343
Deferred portion of income tax expense (benefit)	2,750	7,145	(28)	15,526
Total income tax expense (benefit)	$1,642	$7,171	$(1,136)	$15,869
Effective tax rate	22.8%	38.8%	(27.9)%	37.7%

The blended state tax rate applied to the deferred tax calculation is subject to change due to changes in state laws and changes in the mix of Intrepid's business and the states in which Intrepid has a taxable relationship. This creates fluctuations in the value of Intrepid's net deferred tax asset. In April 2013, the State of New Mexico lowered its corporate income tax rate pursuant to a schedule that goes into effect over the next five years. Intrepid has estimated that the lower state income tax rates will result in a lower future income tax expense. As a result, Intrepid recorded additional deferred state income tax expense of $1.3 million in the three months ended June 30, 2013, as its deferred tax asset has decreased in value. The actual timing for the use of the deferred income tax asset will be based on the actual taxable income earned over future periods and will likely be different from the current estimate.

Note 11 — 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 its 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 June 30, 2014, Intrepid had $17.3 million of security placed principally with the State of Utah and the Bureau of Land Management for eventual reclamation of its various facilities. Of this total requirement, as of June 30, 2014, $0.5 million consisted of long-term restricted cash deposits reflected in “Other” long-term assets on the condensed consolidated balance sheets, and $16.8 million 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—Beginning in 2011, based on an approval and payment of an application with the State of New Mexico, Intrepid began recording an estimate of refundable employment-related credits for qualified wages paid in New Mexico, known as the New Mexico High Wage Jobs Credit. 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” in the consolidated balance sheets in the same period in which the credit is earned. In the third quarter of 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. Considering the uncertainty associated with collection of these credits, Intrepid recorded an allowance of approximately $2.8 million in the third quarter of 2013, for credits relating to the denied periods in order to reflect the denial of the claimed credits. In March 2014, as a result of its continuing efforts to collect these credits, Intrepid received notification from the New Mexico Taxation and Revenue Department that $5.9 million of credits previously denied were approved. Accordingly, during the first quarter of 2014, Intrepid reversed $2.6 million of the previously established allowance to reflect the collectability of these credits. These credits are typically considered in Intrepid's product inventory calculations as they relate to the labor associated with operations. As the inventory associated with the periods during which the credits were originally earned has since been sold, Intrepid recorded the reversal of the allowance as "Other (income) expense" in the condensed consolidated statement of operations for the six months ended June 30, 2014. The classification of this item is consistent with the manner in which the initial allowance was recorded in 2013. During the second quarter of 2014, Intrepid received the $5.9 million of credits noted above. As of June 30, 2014, Intrepid has

a receivable of $5.1 million, net of an allowance of $2.0 million, associated with the New Mexico High Wage Jobs Credits and intends to continue to vigorously pursue recovery of all unpaid credits.

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Legal—Intrepid is subject to litigation. Intrepid has determined that there are no material claims outstanding as of June 30, 2014. Intrepid has established a legal accrual for loss contingencies that are considered probable and reasonably estimable.

Future Operating Lease Commitments—Intrepid has operating leases for land, mining and other operating equipment, an airplane, offices, and railcars, with original terms ranging up to 20 years.

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

2014	
For the three months ended June 30, 2014	$1,629
For the six months ended June 30, 2014	$3,210
2013	
For the three months ended June 30, 2013	$1,115
For the six months ended June 30, 2013	$2,024

Note 12 — FAIR VALUE

Intrepid applies the provisions of the Financial Accounting Standards Board ("FASB") 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 June 30, 2014, and December 31, 2013 (in thousands):

	Fair Value at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments			
Corporate bonds as of June 30, 2014	$—	$3,015	$—
Corporate bonds as of December 31, 2013	$—	$22,459	$—

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 on the condensed consolidated balance sheets.

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Intrepid's available-for-sale investments consist of corporate bonds 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 used are appropriate and consistent with the requirements of ASC Topic 820 and the methods used by 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.

Financial Instruments—The carrying values and estimated fair values of our financial instruments as of June 30, 2014, and December 31, 2013, are as follows (in thousands):

	June 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$150,000	$137,000	$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 these instruments. The estimated fair value of the long-term debt is estimated using a 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 13 — EMPLOYEE BENEFITS

In accordance with the terms of the Moab Purchase Agreement associated with the purchase of the assets relating to its Moab facility in 2000, Intrepid and its predecessor established the Moab Salt, L.L.C. Employees' Pension Plan ("Pension Plan"). In February 2002, Intrepid froze the benefits to be paid under the Pension Plan. 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 the additional expense of approximately $1.9 million to reflect the termination of the Pension Plan in the three months ended June 30, 2013. This amount is recorded as "Other income (expense)" in the condensed consolidated statement of operations.

Note 14 — RESTRUCTURING CHARGE

In January 2014, in response to declining potash prices and completion of our major capital projects, Intrepid undertook a number of cost saving actions that were intended to better align our cost structure with the business environment. These initiatives included the elimination of approximately 7% of the workforce, temporary decreases in executive and senior management compensation, reduction in the use of outside professionals, and cutbacks in other general and administrative areas. For the six months ended June 30, 2014, Intrepid recognized a restructuring expense of $1.8 million, which is comprised primarily of severance-related payments.

Note 15 — 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 consisted of items for which Intrepid made certain tax payments on behalf of vendors, as well as compensating tax payments subsequently deemed not required as a result of a New Mexico court decision. 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 operating (income)" in the condensed consolidated statement of operations for the six months ended June 30, 2013.

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Note 16 — RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. The new standard provides new principles for the timing and amounts of revenue to be recognized. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016. Intrepid continues to study the new standard to determine whether it will have a material impact on its consolidated financial statements upon adoption.

In June 2014, FASB issued ASU No. 2014-12, Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force). This standard requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for fiscal years beginning after December 15, 2015. Intrepid does not anticipate this standard will have a material impact on its consolidated financial statements upon adoption.

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

This Quarterly Report on Form 10-Q contains forward looking statements within the meaning of the Securities Exchange Act of 1934, 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 Quarterly Report on Form 10-Q 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," and "continue." 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
- 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 of our Annual Report on Form 10-K for the year ended December 31, 2013, as updated by our subsequent Quarterly Reports on Form 10-Q

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 Quarterly Report on Form 10-Q 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.

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

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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 have 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, which 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 other processes, and the animal feed market as a supplemental nutrient. The agricultural market is predominately a user of granular-sized potash and standard, granular and premium-sized 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 into 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 specific market needs, 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 agricultural 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. One of our four active potash production facilities in New Mexico is our newly constructed HB Solar Solution mine near Carlsbad, New Mexico. The HB Solar Solution mine applies solution mining and solar evaporation techniques to produce potash from previously idled mine workings. We recently completed our first harvest of ore from the solar evaporation ponds. We began commissioning of the processing plant at the end of December 2013. Much of the commissioning activity took place through the initial harvest season, which was completed in early June 2014 and resulted in the production of 31,000 tons of finished product. Additional refinements to the facility operations will occur into the second harvest season, which is expected to begin in August 2014. As expected, there is a ramp-up of production with the HB Solar Solution mine, with the first harvest production at volumes substantially lower than the designed capacity of the plant. Accordingly, we had production costs in excess of market prices for potash, resulting in a lower-of-cost-or-market inventory adjustment of $4.0 million in the first half of 2014 related to the start up of the HB Solar Solution mine. 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 as well as to 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 conventional underground mine until the early 1980s, or the acceleration of production from our reserves.

We routinely post important information about Intrepid 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. Our website is www.intrepidpotash.com.

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 235,000 tons of potash in the second quarter of 2014, an increase of 51,000 tons compared with the second quarter of 2013. As the spring application season unfolded, our customers gained confidence around the price of potash and, as a result, purchasing activity increased. The early February announcements by Canadian producers of a $20 per ton increase in their list price for potash in North America spurred purchasing of potash as many customers then placed orders ahead of the price increase to meet the needs of their spring application season. We benefited from this increased demand, which resulted in strong sales volumes during the first half of 2014.

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Our ability to supply tons to our customers on a timely basis was a fundamental element to our successful spring season in 2014 as rail logistics, including rail car availability, were very challenging. We expect rail car availability to remain an issue in the near future. We utilized our warehouse system effectively to position product closer to our customers. We also experienced solid demand in the industrial market during the second quarter of 2014, highlighting the diverse markets that we serve.

Potash sales volumes into the industrial segment increased in the second quarter of 2014 as compared to the same period a year ago. This increase in sales volumes was partially driven by continued strong activity in the oil and gas drilling markets.

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 was $329 per ton in the second quarter of 2014 compared to $402 per ton in the second quarter of 2013. This decrease was due to the downward pressure on potash prices driven by the general view in the market that there was adequate global potash supply. This downward price pressure accelerated in the second half of 2013 after announcements by Uralkali in late July 2013 relating to its marketing and production strategies caused significant uncertainty in the global potash market. As a result of the intentional actions by the Canadian producers to curtail production in order to better manage inventory levels, current potash inventory levels in North America have decreased and are now approximating the ten-year average. Announcements of price increases by Canadian producers in 2014 combined with decreased inventories of granular-sized potash have resulted in higher prices beginning to be realized in 2014. Accordingly, our average net realized sales price in the second quarter of 2014 of $329 per ton was $12 higher than our average net realized sales price in the first quarter of 2014. We expect our average net realized price for the second half of 2014 to approximate the price achieved for the second quarter of 2014.

• Trio® prices and demand. The average net realized sales price of Trio® was $350 per ton in the second quarter of 2014 compared to $359 per ton in the second quarter of 2013. We realized a $10 per ton increase in our average net realized sales price for Trio® from the first quarter of 2014 to the second quarter of 2014 as we focused on the higher net realized prices being obtained in the domestic market. Trio® domestic pricing has historically tended to move in a relatively close correlation to potash pricing. In recent years, however, despite declining potash prices in 2012 and 2013, dealers and farmers have recognized the added value of magnesium and sulfate and the benefits of a low-chloride specialty product, which has helped support Trio® pricing. Demand for granular- and premium-sized Trio® continues to be strong in the domestic market. We have seen weaker demand and softer pricing for standard-sized Trio® in the export market. We expect that the general trends associated with potash pricing and volumes will have a similar directional impact on the pricing and volumes in the Trio® markets. Should we choose to manage our Trio® inventory levels by increasing our mix of export sales, we would likely see a lower net realized price for Trio®.

• Major capital projects. We expect the level of capital project investment to decrease significantly in 2014 as compared to 2013, as we have substantially completed our major capital projects over the last two years. During 2014, we intend to continue focusing 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.

In late 2013, we began commissioning of the HB Solar Solution processing plant and expect this work to continue through much of 2014. We have invested $240 million in the HB Solar Solution mine as of June 30, 2014. The start-up production from our initial harvest has a higher per-ton cost due to the relatively low volumes of product being processed and accounted for $4.0 million of the lower-of-cost-or-market inventory adjustments recorded in the six months ended June 30, 2014.

We have several ongoing recovery enhancement projects at the West facility that have been recently completed or are nearing completion, with total expected investment of approximately $30 million to $35 million, of which $28 million had been invested as of June 30, 2014. The series of 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 as we transition into different ore zones. We expect to wrap up the last of these projects during the third quarter of 2014. The West facility provides the majority of the feedstock for the North plant. The capabilities of the new North compaction facility allow us the flexibility to make design changes at the West facility, not previously possible, to increase recovery as well as to decrease our per-ton operating costs.

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The North compaction project was completed in June 2014. This plant processes concentrate tons produced from both the West facility and the HB Solar Solution mine. All three compaction lines are now in service. The new facility enables 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. Capital expenditures for this project totaled $98 million.

• East facility production. We have dedicated significant resources to the long-term improvement plan that we began in early 2012 to improve production from 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. Our production and recovery results historically have had a positive correlation to ore grade. Our production results are also influenced by the amount of development activity we perform. Our potash production from the East facility increased in the second quarter of 2014, as compared to the same period in 2013, as we experienced higher sylvite grade ore and greater recoveries in 2014. Our Trio® production from the East facility decreased in the second quarter of 2014 as compared to the comparable period in 2013 as a result of lower mixed and langbeinite ore grade in 2014. We also incurred increased product losses associated with converting standard-sized Trio® into premium-sized Trio®. Our total production costs at our East facility decreased in the second quarter of 2014 as compared to 2013. Accordingly, fewer production costs for potash were allocated over more tons, resulting in lower per-ton costs for potash from our East facility. Even with this improvement, the relatively lower potash price required that we record lower-of-cost-or-market inventory adjustments of approximately $0.4 million from our East facility during the first half of 2014. Our production of premium-sized Trio® product improved during the second quarter as we continue to make modifications to the plant to improve the operating performance of the process.

• Other Operating Income. In the third quarter of 2013, our application for certain New Mexico employment-related tax credits was denied, and we recorded an allowance of approximately $2.8 million for tax credits relating to the denied credits. As a result of our efforts working with the State of New Mexico, in March 2014 we received notice that $5.9 million of employment tax credits, a significant portion of which had previously been denied, had been approved for payment. Accordingly, in the first quarter of 2014, we reversed $2.6 million of the allowance associated with the previously reserved employment-related tax credits. We received the $5.9 million payment during the second quarter of 2014.

• Restructuring expense. In January 2014, in response to the acceleration of 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, temporary decreases in executive and senior management 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 $12 million to $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 2014, generating a pre-tax restructuring charge of approximately $1.8 million, which is comprised primarily of severance-related payments.

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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	Three Months Ended June 30,		Change Between Periods	% Change
	2014	2013		
Production volume (in thousands of tons):				
Potash	190	182	8	4 %
Langbeinite	43	50	(7)	(14)%
Sales volume (in thousands of tons):				
Potash	235	184	51	28 %
Trio®	62	35	27	77 %
Gross sales (in thousands):				
Potash	$84,804	$78,195	$6,609	8 %
Trio®	26,145	14,485	11,660	80 %
Total	110,949	92,680	18,269	20 %
Freight costs (in thousands):				
Potash	7,496	4,351	3,145	72 %
Trio®	4,264	2,175	2,089	96 %
Total	11,760	6,526	5,234	80 %
Net sales (in thousands)[1]:				
Potash	77,308	73,844	3,464	5 %
Trio®	21,881	12,310	9,571	78 %
Total	$99,189	$86,154	$13,035	15 %
Potash statistics (per ton):				
Average net realized sales price[1]	$329	$402	$(73)	(18)%
Cash operating costs[1][2]	188	186	2	1 %
Depreciation and depletion	67	50	17	34 %
Royalties	12	18	(6)	(33)%
Total potash cost of goods sold	$267	$254	$13	5 %
Warehousing and handling costs	11	14	(3)	(21)%
Average potash gross margin[1]	$51	$134	$(83)	(62)%
Trio® statistics (per ton):				
Average net realized sales price[1]	$350	$359	$(9)	(3)%
Cash operating costs[1]	192	177	15	8 %
Depreciation and depletion	57	48	9	19 %
Royalties	17	18	(1)	(6)%
Total Trio® cost of goods sold	$266	$243	$23	9 %
Warehousing and handling costs	8	15	(7)	(47)%
Average Trio® gross margin[1]	$76	$101	$(25)	(25)%

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

(2) Amounts are presented net of by-product credits. On a per-ton basis, by-product credits were $7 for each of the three months ended June 30, 2014, and 2013, respectively. By-product credits were $1.7 million and $1.3 million for the three months ended June 30, 2014, and 2013, respectively.

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	Six Months Ended June 30,		Change Between Periods	% Change
	2014	2013		
Production volume (in thousands of tons):				
Potash	411	404	7	2 %
Langbeinite	75	96	(21)	(22)%
Sales volume (in thousands of tons):				
Potash	478	369	109	30 %
Trio®	98	74	24	32 %
Gross sales (in thousands):				
Potash	$169,301	$160,973	$8,328	5 %
Trio®	40,523	30,964	9,559	31 %
Total	209,824	191,937	17,887	9 %
Freight costs (in thousands):				
Potash	15,156	9,817	5,339	54 %
Trio®	6,535	4,806	1,729	36 %
Total	21,691	14,623	7,068	48 %
Net sales (in thousands):				
Potash	154,145	151,156	2,989	2 %
Trio®	33,988	26,158	7,830	30 %
Total	$188,133	$177,314	$10,819	6 %
Potash statistics (per ton):				
Average net realized sales price[1]	$323	$409	$(86)	(21)%
Cash operating costs[1][2]	197	180	17	9 %
Depreciation and depletion	65	48	17	35 %
Royalties	11	17	(6)	(35)%
Total potash cost of goods sold	$273	$245	$28	11 %
Warehousing and handling costs	10	15	(5)	(33)%
Average potash gross margin[1]	$40	$149	$(109)	(73)%
Trio® statistics (per ton):				
Average net realized sales price[1]	$347	$354	$(7)	(2)%
Cash operating costs[1]	201	179	22	12 %
Depreciation and depletion	61	51	10	20 %
Royalties	17	18	(1)	(6)%
Total Trio® cost of goods sold	$279	$248	$31	13 %
Warehousing and handling costs	8	14	(6)	(43)%
Average Trio® gross margin[1]	$60	$92	$(32)	(35)%

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

(2) Amounts are presented net of by-product credits. On a per-ton basis, by-product credits were $6 and $9 for the six months ended June 30, 2014, and 2013, respectively. By-product credits were $3.1 million and $3.2 million for the six months ended June 30, 2014, and 2013, respectively.

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Results of Operations

Operating Highlights

Net income for the second quarter of 2014 was $5.6 million, or $0.07 per diluted share, and cash flows from operating activities were $38.5 million. Net income for the first six months of 2014 was $5.2 million, or $0.07 per diluted share, and cash flows from operating activities were $55.8 million. During the three months ended June 30, 2014, we sold 235,000 tons of potash at a net realized sales price of $329 per ton and 62,000 tons of Trio® at a net realized sales price of $350 per ton. During the six months ended June 30, 2014, we sold 478,000 tons of potash at a net realized sales price of $323 per ton and 98,000 tons of Trio® at a net realized sales price of $347 per ton. We made capital investments of $24.0 million in the first six months of 2014, and ended the quarter with $35.1 million of cash and investments. We produced 411,000 tons of potash and 75,000 tons of langbeinite in the six months ended June 30, 2014.

Potash

We sold 235,000 tons of potash in the second quarter of 2014 compared with 184,000 tons sold in the second quarter of 2013. For the first half of 2014, we sold 478,000 tons of potash compared to 369,000 tons in the first half of 2013. The increase in sales volumes was driven by increased confidence from buyers and our agricultural customers' demand for product for the spring season after the relatively modest sales volumes from the fall of 2013. Our ability to supply tons to our customers on a timely basis was a fundamental element of our successful spring season in 2014 as rail logistics, including rail car availability, were very challenging. We utilized our warehouse system effectively to position product closer to our customers. In addition, we experienced continued strong industrial sales in the quarter resulting from ongoing strength in the energy sector. Our average net realized sales price of potash was $329 per ton in the second quarter of 2014, compared with $402 per ton in the second quarter of 2013. Although potash pricing has decreased over the same period a year ago, we were able to achieve a sequential increase in our average net realized sales price in the second quarter 2014 due to recent price increase announcements by the Canadian producers.

The table below shows our potash sales mix for the three and six months ended June 30, 2014, and 2013.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Agricultural	74%	72%	75%	76%
Industrial	20%	21%	20%	17%
Feed	6%	7%	5%	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 match granular production to demand 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. We believe 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 with a system of balanced fertilization. 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 in some agricultural soils within North America. In order for the North American farmer to maximize yields, we believe higher application rates of potash will be necessary in the future. With higher crop yields in 2013, more potassium was removed from the soil. In preparation for the 2014 growing season, we believe farmers generally applied recommended amounts of potash in the fall of 2013 and the spring of 2014.

Our potash production volume in the second quarter of 2014 increased to 190,000 tons, compared with 182,000 tons produced in the second quarter of 2013. The increase was due to new production from our HB Solar Solution mine and increased production at our East and Wendover facilities. This was offset by decreases in production from our West facility due to lower ore grade relative to the same period in 2013 and increased scheduled downtime and at our Moab facility due to the expected earlier end of the harvest season coming in March 2014 as compared to April 2013. Production from our West facility

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has been impacted primarily by lower ore grade in 2014, highlighting the importance of the capital investments that are nearly complete and are designed to address the geologic characteristics of the ore. Due to the reduced production levels at our West facility, which is our largest production facility, we had fewer tons of potash produced over which to allocate production costs. As a result, and coupled with the expected start-up losses from our HB Solar Solution mine, our cash operating cost of goods sold increased to $188 per ton for the second quarter of 2014, compared with $186 per ton in the second quarter of 2013.

Trio®

Our Trio® production was lower in the first half of 2014 than in the same period in 2013 as we experienced lower ore grade and higher than expected losses associated with the conversion to premium-sized products. Pricing for Trio® has slightly softened compared to last year due primarily to softness in potash pricing. Our average net realized sales price for Trio® increased from the first quarter of 2014 to the second quarter of 2014 as we have shifted our sales efforts to domestic opportunities in recognition of the relative strength of the domestic market compared to the export market. The decision to focus on the domestic market takes into account the higher margin we are able to realize in the domestic market for our premium-sized product. Demand for our granular- and premium-sized Trio® has remained strong, even as potash prices have decreased significantly. Our sales of Trio® increased to 62,000 tons in the second quarter of 2014 as compared with 35,000 tons in the second quarter of 2013, driven primarily by increased sales of premium-sized Trio®. The export market for standard product has softened considerably in 2014 compared to the same period a year ago, highlighting the importance of improving our pelletization process, which upgrades the standard-sized product to premium-sized product.

Our average Trio® gross margin per ton decreased by $25 per ton in the second quarter of 2014, as compared with the second quarter of 2013. This was driven by a slight decrease of $9per ton in our average net realized sales price for Trio®, coupled with the increase in our cash operating costs for Trio® of $15 per ton. Our cash operating costs for Trio® increased as a result of the production issues mentioned above. The cash operating costs per ton were 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. Despite the higher costs per ton of producing premium-sized product, we were able to achieve a higher margin from selling this product domestically rather than selling the standard-sized product in the export market.

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, but as noted were particularly low in the first half of 2014 as discussed above.

	United States	Export
Trio® only		
2014		
For the three months ended June 30, 2014	95%	5%
For the six months ended June 30, 2014	94%	6%
2013		
For the three months ended June 30, 2013	73%	27%
For the six months ended June 30, 2013	70%	30%

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 $73 per ton in the second quarter of 2014 from the second quarter of 2013 largely as a result of ongoing global productive capacity that has exceeded demand, particularly over the last few years. Domestically, the market is influenced by this global scenario. During the second quarter 2014, North American potash inventory levels decreased, and are now closer to the average inventory levels over the last five years. As a result, we experienced the first sequential increase in our potash average net realized sales price since the fourth quarter of 2011.

The table below demonstrates the progression of our average net realized sales price for potash and Trio® through 2013 and into 2014.

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Average net realized sales price for the three months ended:	Potash (Per ton)	Trio®
June 30, 2014	$329	$350
March 31, 2014	$317	$340
December 31, 2013	$338	$345
September 30, 2013	$363	$353
June 30, 2013	$402	$359
March 31, 2013	$417	$351

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 provides the greatest operating efficiencies. By having adequate warehouse capacity, we can maintain production levels during periods of fluctuating product demand and have product inventory positioned closer to the fields in order to meet peak periods of fertilizer 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 and characterization of the ore that is mined at any particular time is subject to fluctuations due to the nature of the mineral deposits and 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 paid on a sliding scale that varies with the grade of ore extracted. For the three and six months ended June 30, 2014, our average royalty rate was 4.0% and 3.8%, respectively. For the three and six months ended June 30, 2013, our average royalty rate was 4.5% and 4.3%, respectively.

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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 three and six months ended June 30, 2014, was 22.8% and (27.9)%, respectively. Our effective tax rate for the three and six months ended June 30, 2014 differed from the blended statutory income tax rate as a result of the estimated benefit of depletion, and an adjustment to the benefits received from the carry back of the net operating loss incurred in 2013. Our effective tax rate for the three and six months ended June 30, 2013, was 38.8% and 37.7%, 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 depletion. Our federal and state income tax returns are subject to examination by federal and state tax authorities.

For the three and six months ended June 30, 2014, the total tax expense (benefit) was $1.6 million and $(1.1) million, respectively. Total tax benefit for the three months ended June 30, 2014, was comprised of $1.1 million of current income tax benefit and $2.8 million of deferred income tax expense. Total tax benefit for the six months ended June 30, 2014, was comprised of $1.1 million of current income tax benefit and $28,000 of deferred income tax benefit. In the six months ended June 30, 2014, in addition to the items noted above, we also benefited from the reversal of a valuation allowance of $1.7 million related to New Mexico net operating loss carry forwards that had been established in 2013. As a result of legislation passed by the State of New Mexico in the first quarter of 2014, we now believe these net operating loss carry forwards will be realized. The reversal of the $1.7 million valuation allowance is included in the $28,000 of deferred income tax benefit in the six months ended June 30, 2014, which impacts the effective tax rate for the period.

For the three and six months ended June 30, 2013, the total tax expense was $7.2 million and $15.9 million, respectively. Total tax expense for the three months ended June 30, 2013, was comprised of $26,000 of current income tax expense and $7.2 million of deferred income tax expense. Total tax expense for the six months ended June 30, 2013, was comprised of $0.4 million of current income tax expense and $15.5 million of deferred income tax expense. Our current tax expense for the three and six months ended June 30, 2013, 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 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.

Capital Investments

We believe that, in the long term, demand for potash will remain at, or exceed, historical levels. We have been executing a capital investment plan at each of our facilities to respond to this anticipated increase in demand and to structurally lower our cash operating costs per ton. These plans have focused on growing productivity and improving recoveries while improving safe and reliable production, ensuring environmental and regulatory compliance, and improving facility reliability. The vast majority of our major capital projects are at or nearing completion and our future capital investment activity beginning in 2014 is expected to be less significant compared to the past few years. During 2013, much of our strategic focus was on investing in and completing our large capital projects. We expect our level of capital investment to decrease significantly in 2014 compared to 2013. We expect our investments will grow production capacity and decrease cash operating costs per ton 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 our capital investments.

During the first six months of 2014, we invested $24.0 million in capital projects, including $0.4 million of capitalized interest. These capital projects included investments related to the substantial completion of the HB Solar Solution mine and the related production plant, the expansion of our North compaction facility and the recovery improvement projects at our West facility.

In 2014, we expect our level of capital investment to be approximately $40 million to $50 million, which includes approximately $5 million to $7 million of additional investment in recovery improvement projects at our West plant. This compares to $256.2 million of capital invested during 2013. This decrease in capital investment activity allows us to shift our

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focus to 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 our 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. In the first six months of 2014, we produced 31,000 tons of finished product from the HB Solar Solution mine. 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 weather patterns on commissioning and evaporation seasons. We have invested $240 million for the project as of June 30, 2014.
- We have 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 increase recoveries at the West facility as we transition into different ore zones. The last of these projects are expected to be completed in the third quarter of 2014. The capabilities of the new North compaction facility allow us the flexibility to make design changes at the West facility to increase recovery as well as to decrease our per-ton operating costs. There is a level of coordination among the projects at the West facility and North compaction facility that will cause some variation in production volumes 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 $30 million and $35 million, of which $28 million had been invested as of June 30, 2014.
- The North compaction project is complete and is processing tons produced from both the West facility and the HB Solar Solution mine. All three compaction lines are now in service and operating as an integrated system. The new facility enables 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 $98 million as of June 30, 2014.

Liquidity and Capital Resources

As of June 30, 2014, we had cash, cash equivalents, and investments of $35.1 million. We also have an unsecured credit facility that provides a revolving credit facility of up to $250 million, provided that we meet specified financial covenants, as described below under the heading “Unsecured Credit Facility.” As of June 30, 2014, we had $141 million available under this facility.

The $35.1 million of cash, cash equivalents and investments at June 30, 2014, was made up of the following:

- $19.5 million in cash;
- $11.5 million in cash equivalent investments, consisting of money market accounts with banking institutions that we believe are financially sound; and
- $4.0 million invested in short-term investments.

Our operations have been and are expected to be primarily funded from cash on hand and cash generated by operations and, if necessary, we have the ability to borrow under our unsecured credit facility.

The following summarizes our cash flow activity for the six months ended June 30, 2014, and 2013:

	Six Months Ended June 30,	
	2014	2013
	(In thousands)	
Cash flows provided by operating activities	$55,849	$47,444
Cash flows used in investing activities	$(24,563)	$(182,086)
Cash flows (used in) provided by financing activities	$(611)	$148,820

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Operating Activities

Total cash provided by operating activities through June 30, 2014, was $55.8 million, an increase of $8.4 million compared with the first six months of 2013. Higher sales volumes in 2014 resulted in a decrease in finished goods inventory, which was partially offset by an increase in the receivable balances associated with those sales.

Investing Activities

Total cash used in investing activities decreased by $157.5 million in the first six months of 2014 compared with the same six month period in 2013 as a result of lower capital investment activity in 2014.

Financing Activities

Total cash used in financing activities of $0.6 million was due to employee tax withholding for the vesting of restricted stock. During the six months ended June 30, 2014, Intrepid borrowed and repaid $12 million under the demand portion of the credit facility for near-term working capital needs. During the six months ended 2013, Intrepid received $149.3 million of net proceeds from the funding of our unsecured senior notes ("Notes") described below.

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 revolving credit facility of up to $250 million. The actual amount available to us may be limited by our leverage ratio, which may not exceed 3.5, and our fixed charge coverage ratio, which may not be below 1.3.

Under the facility, the leverage ratio is defined as the ratio of our total funded indebtedness to adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, and certain other expenses, as defined in the credit facility) 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 us under the facility. If adjusted EBITDA continues to decrease significantly over several quarters with no change to indebtedness, our leverage ratio could rise to the level where less than $250 million would be available to us. For example, as of June 30, 2014, $141 million was available to us under the facility due to an increase in our leverage ratio as a result of decreasing levels of adjusted EBITDA over the prior four fiscal quarters. Based on current market conditions, we expect that the total amount available to us under the facility will continue to be limited 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 changes in the LIBOR and with our leverage ratio.

The facility is unsecured and is guaranteed by Intrepid's material subsidiaries. We are currently in compliance with the covenants under the facility. The facility has a maturity date of August 2018. As of June 30, 2014, and December 31, 2013, there were no amounts outstanding under the facility.

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 the covenants under the Notes. Interest on the Notes is paid

semiannually on April 16 and October 16 of each year.

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Off-Balance Sheet Arrangements

As of June 30, 2014, we had no off-balance sheet arrangements aside from the operating leases and bonding obligations described in the accompanying notes to the condensed consolidated financial statements.

Results of Operations for the Three Months Ended June 30, 2014, and 2013

Net Sales

Net sales of potash increased to $77.3 million for the three months ended June 30, 2014, from $73.8 million for the three months ended June 30, 2013. This increase in net sales of potash was primarily the result of a 28% increase in sales volume partially offset by a decrease in the average net realized sales price of potash of $73 per ton. Our 2014 sales volume increased over those realized in the same period in 2013, due primarily to the increased purchasing of potash by our customers for the spring application season.

Net sales of Trio® increased to $21.9 million for the three months ended June 30, 2014 from $12.3 million for the three months ended June 30, 2013, due to a 77% increase in the volume of sales partially offset by a 3% decrease in the average net realized sales price. Demand for granular-sized and pelletized Trio® continues to be favorable; however, the margin opportunity for standard-sized Trio® in the export market has decreased resulting in our increased focus on pelletizing standard-sized Trio® for sale in the domestic market.

Cost of Goods Sold

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

	Three Months Ended June 30,		Change Between		
	2014	2013	Periods	% Change	
Cost of goods sold (in millions)	$79.4	$55.0	$24.4	44	%
Cost per ton of potash sold[(1)]	$267	$254	$13	5	%
Cost per ton of Trio® sold[(2)]	$266	$243	$23	9	%

(1) Depreciation and depletion expense for potash was $15.6 million and $9.1 million in the second quarter of 2014 and 2013, respectively, which equates to $67 and $50 on a per-ton basis.

(2) Depreciation and depletion expense for Trio® was $3.6 million and $1.7 million in the second quarter of 2014 and 2013, respectively, which equates to $57 and $48 on a per-ton basis.

Total cost of goods sold of potash, which includes royalties and depreciation, depletion and amortization, increased as we experienced higher cash operating costs per ton for the second quarter of 2014 largely due to lower production at our West facility as noted above and the costs associated with start-up of the HB Solar Solution plant. We recorded lower-of-cost-or-market inventory adjustments during the second quarter of 2014 of $1.1 million, all of which related to the start-up activities of our HB Solar Solution mine. Commissioning of the HB Solar Solution mine continues. The lower-of-cost-or-market inventory adjustments are the result of the modest level of production from the HB Solar Solution mine, resulting in our production costs being allocated over fewer tons, and are expected to decrease in the second half of 2014.

Total cost of goods sold of Trio® increased due to lower ore grade and the intentional focus on producing more premium-sized Trio®. Further, our continuing efforts to convert standard-sized Trio® into premium-sized Trio® have impacted our production volume. As a result, we have fewer tons of langbeinite over which production costs are allocated, resulting in higher per-ton costs.

In total, our cost of goods sold increased primarily due to more tons of potash and Trio® sold in the second quarter of 2014 as well as higher production costs. Our increased potash production costs were due to increases in labor costs, electricity and property taxes associated with our production facilities.

On a comparative basis, and within our potash and Trio® cost of goods sold, depreciation and depletion increased $8.4 million, or 78%, during the second quarter of 2014 as a result of the significant capital investments being put into service over the last year. We expect depreciation expense to continue to increase in the second half of 2014 on an actual dollar basis as we complete our major capital projects described previously. We manage capital investments by evaluating

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capital projects that we believe are necessary to maintain the productivity of our mines and evaluating investment capital that is designed to increase production and generate incremental returns on invested capital.

Other Operating Income

In the second quarter of 2013, we 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 consisted of items for which we made certain tax payments on behalf of vendors, subsequently deemed not required as a result of a New Mexico court decision. Upon receipt of the refund, which removed uncertainty about the amount and collection of the refund, we recorded $1.7 million of income, which is reflected in "Other operating income" in the condensed consolidated statement of operations for the three months ended June 30, 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 expense" in the condensed consolidated statement of operations for the three months ended June 30, 2013, 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.

Results of Operations for the Six Months Ended June 30, 2014, and 2013

Net Sales

Net sales of potash increased from $151.2 million for the six months ended June 30, 2013, to $154.1 million for the six months ended June 30, 2014. This increase in net sales of potash was primarily the result of a 30% increase in sales volume partially offset by a decrease in the average net realized sales price of potash of $86 per ton, or 21%. Our 2014 sales volume increased over those realized in the same period in 2013, due primarily to the increased purchasing of potash by our customers for the spring application season.

Net sales of Trio® increased from $26.2 million for the six months ended June 30, 2013, to $34.0 million for the six months ended June 30, 2014, due to a 32% increase in the volume of sales offset by a 2% decrease in the average net realized sales price. Domestic demand for granular-sized and pelletized Trio® continues to be favorable; however, demand for standard-sized Trio® into the export market has been less predictable. Trio® domestic pricing has historically tended to move in a relatively close correlation to potash pricing. Over the last year, due to low levels of inventory, Trio® pricing has been resilient despite the significant decrease in potash prices.

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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:

	Six Months Ended June 30,		Change Between		
	2014	2013	Periods	% Change	
Cost of goods sold (in millions)	158.0	108.8	$49.2	45	%
Cost per ton of potash sold(1)	$273	$245	$28	11	%
Cost per ton of Trio® sold(2)	$279	$248	$31	13	%

(1) Depreciation and depletion expense for potash was $31.2 million and $17.6 million in the first six months of 2014 and 2013, respectively, which equates to $65 and $48 on a per-ton basis.

(2) Depreciation and depletion expense for Trio® was $6.0 million and $3.8 million in the first six months of 2014 and 2013, respectively, which equates to $61 and $51 on a per-ton basis.

Total cost of goods sold of potash, which includes royalties and depreciation, depletion and amortization, increased as we experienced higher cash operating costs per ton for the first six months of 2014 largely due to lower production at our West facility as noted above and the costs associated with start-up of the HB Solar Solution plant. As potash pricing has been decreasing, we have recorded lower-of-cost-or-market inventory adjustments during the first six months of 2014 of $4.7 million, of which $4.0 million related to the start-up activities of our HB Solar Solution mine. The lower-of-cost-or-market inventory adjustments are the result of the modest level of production from the HB Solar Solution mine, resulting in our production costs being allocated over fewer tons, and are expected to decrease in the second half of 2014.

Total cost of goods sold of Trio® increased as our production of langbeinite decreased compared with the first half of 2013 due to lower ore grade. Further, our continuing efforts to convert standard-sized Trio® into premium-sized Trio® has impacted our production, as described previously.

In total, our cost of goods sold increased $49.2 million primarily due to more tons of potash and Trio® sold in the first six months of 2014 as well as higher potash production costs. Our increased potash production costs were due to increases in labor costs, natural gas, electricity, property taxes and maintenance associated with our production facilities.

On a comparative basis, and within our potash and Trio® cost of goods sold, depreciation and depletion increased $15.8 million, or 74%, during the first six months of 2014 as a result of the significant capital investments being put into service over the last year. We expect depreciation expense to continue to increase in the second half of 2014 on an actual dollar basis as we complete our major capital projects described previously. We manage capital investments by evaluating capital projects that we believe are necessary to maintain the productivity of our mines and by evaluating investment capital that is designed to increase production and generate incremental returns on invested capital.

Other Operating Income

In the second quarter of 2013, we received a $1.7 million refund from the State of New Mexico related to a compensating tax refund, as previously discussed.

In the third quarter of 2013, our application for certain New Mexico employment-related tax credits was denied, and we recorded an allowance of approximately $2.8 million relating to the denied tax credits. In March 2014, we received notice that the State of New Mexico had approved $5.9 million of employment tax credits, a significant portion of which had previously been denied. Accordingly, in the first quarter of 2014, we reversed $2.6 million of the allowance associated with the previously recorded employment-related tax credits. We received payment of $5.9 million for the approved credits during the second quarter of 2014.

Other Income (Expense)

Other income (expense) was impacted by the settlement of all pension plan liabilities as of April 2013, as previously discussed.

Critical Accounting Policies and Estimates

Our Annual Report on Form 10-K for the year ended December 31, 2013, describes the critical accounting policies that affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. There have been no significant changes to our critical accounting policies since December 31, 2013.

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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.

Below is additional information about our non-GAAP financial measures, including reconciliations of our non-GAAP financial measures to the most directly comparable GAAP measures, for the three and six month periods ended June 30, 2014, and 2013:

Net Sales and Average Net Realized Sales Price per Ton

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.

	Three Months Ended June 30,					
	2014			2013		
	Potash	Trio®	Total	Potash	Trio®	Total
Sales	$84,804	$26,145	$110,949	$78,195	$14,485	$92,680
Freight costs	7,496	4,264	11,760	4,351	2,175	6,526
Net sales	$77,308	$21,881	$99,189	$73,844	$12,310	$86,154
Divided by:						
Tons sold (in thousands)	235	62		184	35	
Average net realized sales price per ton	$329	$350		$402	$359	

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	Six Months Ended June 30,					
	2014			2013		
	Potash	Trio®	Total	Potash	Trio®	Total
Sales	$169,301	$40,523	$209,824	$160,973	$30,964	$191,937
Freight costs	15,156	6,535	21,691	9,817	4,806	14,623
Net sales	$154,145	$33,988	$188,133	$151,156	$26,158	$177,314
Divided by:						
Tons sold (in thousands)	478	98		369	74	
Average net realized sales price per ton	$323	$347		$409	$354	

Cash Operating Costs per Ton

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 warehousing 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.

	Three Months Ended June 30,					
	2014			2013		
	Potash	Trio®	Total	Potash	Trio®	Total
Cost of goods sold	$62,761	$16,622	$79,383	$46,660	$8,343	$55,003
Divided by sales volume (in thousands of tons)	235	62		184	35	
Cost of goods sold per ton	$267	$266		$254	$243	
Less per-ton adjustments						
Depreciation and depletion	$67	$57		$50	$48	
Royalties	12	17		18	18	
Cash operating costs per ton	$188	$192		$186	$177	

	Six Months Ended June 30,					
	2014			2013		
	Potash	Trio®	Total	Potash	Trio®	Total
Cost of goods sold	$130,621	$27,336	$157,957	$90,483	$18,293	$108,776
Divided by sales volume (in thousands of tons)	478	98		369	74	
Cost of goods sold per ton	$273	$279		$245	$248	
Less per-ton adjustments						
Depreciation and depletion	$65	$61		$48	$51	
Royalties	11	17		17	18	
Cash operating costs per ton	$197	$201		$180	$179	

Average Potash and Trio® Gross Margin per Ton

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

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potash and Trio® sold. The reconciliations of average potash and Trio® net realized sales price to GAAP sales are set forth separately above under the heading "Net Sales and Average Net Realized Sales Price per Ton."

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Potash				
Average potash net realized sales price	$329	$402	$323	$409
Less total potash cost of goods sold	267	254	273	245
Less potash warehousing and handling costs	11	14	10	15
Average potash gross margin per ton	$51	$134	$40	$149

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Trio®				
Average Trio® net realized sales price	$350	$359	$347	$354
Less total Trio® cost of goods sold	266	243	279	248
Less Trio® warehousing and handling costs	8	15	8	14
Average Trio® gross margin per ton	$76	$101	$60	$92

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Part II, Item 7A., "Quantitative and Qualitative Disclosure About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2013, describes our exposure to market risk. There have been no significant changes to our market risk exposure since December 31, 2013.

ITEM 4.CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Our disclosure controls and procedures 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 Securities and Exchange Commission rules and forms. Our disclosure controls and procedures are also designed to ensure that this 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. Based on their evaluation as of June 30, 2014, 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.

Changes in Internal Control over Financial Reporting

Our management, including our Executive Chairman of the Board and Chief Financial Officer, conducted an evaluation of our “internal control over financial reporting,” as defined in Rule 13a-15(f) of the Exchange Act to determine whether any changes in our internal control over financial reporting occurred during the three months ended June 30, 2014, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there have been no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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, 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.

PART II-OTHER INFORMATION

ITEM 1. 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 financial condition, results of operations or cash flows. 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 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. These risks and uncertainties are described in Part I, "Item 1A: Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013. There have been no material changes to these risks and uncertainties.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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, to preserve employee health, and to comply with 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 regulators to identify and implement new accident prevention techniques and practices.

Our East, West and North facilities in New Mexico are subject to regulation by the Mine Safety and Health Administration ("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 Quarterly Report on Form 10-Q 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

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Solution mine are subject to regulation by the Occupational Health and Safety Administration and, therefore, are not required to be included in the information provided in Exhibit 95.1.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS
The list of exhibits in the Exhibit Index to this Quarterly Report on Form 10-Q is incorporated herein by reference.

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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)

Dated: July 30, 2014 /s/ Robert P. Jornayvaz III
Robert P. Jornayvaz III - Executive Chairman of the Board
(Principal Executive Officer)

Dated: July 30, 2014 /s/ David W. Honeyfield
David W. Honeyfield - President and Chief Financial Officer
(Principal Financial Officer)

Dated: July 30, 2014 /s/ Brian D. Frantz
Brian D. Frantz - Vice President-Finance, Controller, and Chief Accounting Officer
(Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as amended.*
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as amended.*
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.*
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema.*
101.CAL	XBRL Extension Calculation Linkbase.*
101.LAB	XBRL Extension Label Linkbase.*
101.PRE	XBRL Extension Presentation Linkbase.*
101.DEF	XBRL Extension Definition Linkbase.*

*Filed herewith.
**Furnished herewith.