Intrepid Potash, Inc.
Form 10-Q
August 05, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2010

Commission File Number: 001-34025

INTREPID POTASH, INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes o 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.) ý Yes o 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 ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of July 31, 2010, 75,100,546 shares of the registrant's common stock, par value of $0.001 per share, were outstanding.

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PART I FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

INTREPID POTASH, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share amounts)

	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 98,009	$ 89,792
Short-term investments	17,850	11,155
Accounts receivable:		
Trade, net	12,263	19,169
Other receivables	816	471
Refundable income taxes	2,450	9,364
Inventory, net	50,563	61,949
Prepaid expenses and other current assets	2,054	2,632
Current deferred tax asset	6,873	9,807
Total current assets	190,878	204,339
Property, plant, and equipment, net of accumulated depreciation of $53,780 and $41,787, respectively	237,709	221,403
Mineral properties and development costs, net of accumulated depletion of $7,844 and $7,174, respectively	33,306	33,929
Long-term parts inventory, net	7,280	7,149
Long-term investments	20,446	6,189
Other assets	5,388	5,532
Non-current deferred tax asset	286,219	290,449
Total Assets	$ 781,226	$ 768,990
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable:		
Trade	$ 9,203	$ 13,523
Related parties	197	129
Accrued liabilities	10,872	12,403
Accrued employee compensation and benefits	8,999	7,028
Other current liabilities	1,525	2,849
Total current liabilities	30,796	35,932
Asset retirement obligation	8,981	8,619
Deferred insurance proceeds	10,124	10,124
Other non-current liabilities	5,246	5,093
Total Liabilities	55,147	59,768
Commitments and Contingencies		
Common stock, $0.001 par value; 100,000,000 shares authorized; and 75,100,546 and 75,037,124 shares outstanding at June 30, 2010, and December 31, 2009, respectively	75	75
Additional paid-in capital	557,780	556,328
Accumulated other comprehensive loss	(732)	(689)
Retained earnings	168,956	153,508

Total Stockholders' Equity		726,079		709,222
Total Liabilities and Stockholders' Equity	$	781,226	$	768,990

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2010	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Sales	$ 64,318	$ 73,392	$ 171,677	$ 162,293
Less:				
Freight costs	5,573	4,122	15,339	8,829
Warehousing and handling costs	2,317	2,098	5,041	3,627
Cost of goods sold	41,416	26,596	108,670	60,909
Costs associated with abnormal production		5,179	470	6,374
Other	271		540	
Gross Margin	14,741	35,397	41,617	82,554
Selling and administrative	7,969	7,763	14,582	14,546
Accretion of asset retirement obligation	176	173	352	341
Other	305	589	473	577
Operating Income	6,291	26,872	26,210	67,090
Other Income (Expense)				
Interest expense, including realized and unrealized derivative gains and losses	(478)	251	(1,032)	48
Interest income	177	15	273	32
Insurance settlements in excess of property losses		(2)		(16)
Other income	102	323	148	182
Income Before Income Taxes	6,092	27,459	25,599	67,336
Income Tax Expense	(2,490)	(13,023)	(10,151)	(28,219)
Net Income	$ 3,602	$ 14,436	$ 15,448	$ 39,117
Weighted Average Shares Outstanding:				
Basic	75,085,873	75,017,097	75,064,966	74,996,419
Diluted	75,125,620	75,030,347	75,128,691	75,006,579
Earnings Per Share:				
Basic	$ 0.05	$ 0.19	$ 0.21	$ 0.52
Diluted	$ 0.05	$ 0.19	$ 0.21	$ 0.52

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (UNAUDITED)

(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2009	75,037,124	$ 75	$ 556,328	$ (689)	$ 153,508	$ 709,222
Comprehensive income, net of tax:						
Pension liability adjustment				(43)		(43)
Net income					15,448	15,448
Total comprehensive income						15,405
Stock-based compensation	9,312		2,115			2,115
Excess income tax benefit from stock based compensation			64			64
Vesting of restricted common stock, net of restricted common stock used to fund employee income tax withholding due upon vesting	54,110		(727)			(727)
Balance, June 30, 2010	75,100,546	$ 75	$ 557,780	$ (732)	$ 168,956	$ 726,079

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Six Months Ended	
	June 30, 2010	**June 30, 2009**
Cash Flows from Operating Activities:		
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 15,448	$ 39,117
Deferred income taxes	7,164	18,033
Insurance reimbursements		16
Items not affecting cash:		
Depreciation, depletion, amortization, and accretion	13,226	7,747
Stock-based compensation	2,115	1,287
Unrealized derivative gain	(117)	(1,215)
Other	484	577
Changes in operating assets and liabilities:		
Trade accounts receivable	6,906	(3,827)
Other receivables	(345)	(279)
Refundable income taxes	6,914	3,386
Inventory	11,255	(14,169)
Prepaid expenses and other assets	594	1,728
Accounts payable, accrued liabilities and accrued employee compensation and benefits	5,366	(1,492)
Other liabilities	(1,115)	465
Net cash provided by operating activities	67,895	51,374
Cash Flows from Investing Activities:		
Proceeds from insurance reimbursements		1,984
Additions to property, plant, and equipment	(37,683)	(44,461)
Additions to mineral properties and development costs	(381)	(4,779)
Purchases of investments	(23,638)	(751)
Proceeds from investments	2,687	
Other		16
Net cash used in investing activities	(59,015)	(47,991)
Cash Flows from Financing Activities:		
Restricted stock used for employee tax withholding upon vesting	(727)	(1,283)
Other	64	
Net cash used in financing activities	(663)	(1,283)
Net Change in Cash and Cash Equivalents	8,217	2,100
Cash and Cash Equivalents, beginning of period	89,792	116,573
Cash and Cash Equivalents, end of period	$ 98,009	$ 118,673

Supplemental disclosure of cash flow information				
Cash paid (received) during the period for:				
Interest, including settlements on derivatives	$	1,095	$	793
Income taxes	$	(4,142)	$	6,800

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1 COMPANY BACKGROUND

Intrepid Potash, Inc. (individually or in any combination with its subsidiaries, "Intrepid," "we," "us," or "our") produces muriate of potash ("potassium chloride" or "potash"); langbeinite; and by-products including salt, magnesium chloride and metal recovery salts. The processing of langbeinite ore results in the production of sulfate of potash magnesia which is marketed for sale as Trio . Intrepid owns five active potash production facilities, three in New Mexico and two in Utah. Production comes from two underground mines in the Carlsbad region of New Mexico; a solar evaporation solution mine near Moab, Utah; and a solar evaporation lake brine mine in Wendover, Utah. Intrepid has one operating segment, the extraction and production of potassium-related products, and its operations are conducted entirely in the continental United States.

Note 2 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and Regulation S-X of the Securities and Exchange Commission. For interim periods, GAAP and Regulation S-X do not require all information and notes that are required for annual periods. Therefore, the accompanying unaudited consolidated financial statements should be read in conjunction with Intrepid's Consolidated Financial Statements and Notes thereto included in Intrepid's Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission on March 1, 2010. The accompanying unaudited consolidated financial statements reflect all adjustments, which are normal and recurring in nature, and which, in the opinion of management, are necessary for a fair presentation of Intrepid's financial position, results of operations and cash flows at June 30, 2010, and for all periods presented.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements of Intrepid include the accounts of Intrepid and its wholly-owned subsidiaries Intrepid Potash Moab, LLC ("Moab"), Intrepid Potash New Mexico, LLC ("NM"), Intrepid Potash Wendover, LLC ("Wendover"), Moab Pipeline LLC, and Intrepid Aviation LLC. All intercompany balances and transactions have been eliminated in consolidation.

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

Significant estimates with regard to Intrepid's consolidated financial statements include the estimate of proven and probable mineral reserve volumes, the related present value of estimated future net cash flows, useful lives of plant assets, asset retirement obligations, normal inventory production levels, the valuation of equity awards, the valuation of derivative financial instruments, and effective tax rates utilized in the current and deferred income tax calculations. There are numerous uncertainties inherent in estimating quantities of proven and probable reserves, projecting future rates of production, and the timing of development expenditures. Future mineral prices may vary significantly from the

INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

prices in effect at the time the estimates are made, as may estimates of future operating costs. The estimate of proven and probable mineral reserve volumes, useful lives of plant assets, and the related present value of estimated future net cash flows can affect depletion, the net carrying value of Intrepid's mineral properties, and the useful lives of related property, plant, and equipment, as well as depreciation expenses.

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

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

By-product credits Intrepid records proceeds from the sale of by-products as a credit to cost of goods sold when by-product inventories are sold.

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

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

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

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Intrepid has also entered into interest rate derivative instruments when it had outstanding debt, in order to swap a portion of floating-rate debt to fixed-rate when borrowings were probable and the significant characteristics and expected timing were identified. These items were not accounted for as hedge items; accordingly, any change in fair value from period to period associated with realized and unrealized gains or losses on interest rate derivative contracts is shown within interest expense.

Property, Plant, and Equipment Property, plant, and equipment are stated at historical cost. Expenditures for property, plant, and equipment relating to new assets or improvements are capitalized, provided the expenditure extends the useful life of an asset or extends the asset's functionality. Property, plant, and equipment are depreciated under the straight-line method 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.

Mineral Properties and Development Costs Mineral properties and development costs, which are referred to collectively as mineral properties, include acquisition costs, the cost of drilling wells, and the cost of other development work, all of which are capitalized. Depletion of mineral properties is calculated using the units-of-production method over the estimated life of the relevant ore body. The lives of reserves used for accounting purposes are shorter than current reserve life determinations due to uncertainties inherent in long-term estimates. These reserve life estimates have been prepared by us, and reviewed and independently determined by mine consultants. Reserve studies and mine plans are updated periodically, and the remaining net balance of the mineral properties is depleted over the updated estimated life, subject to a 25-year limit. Possible impairment is also considered in conjunction with updated reserve studies and mine plans. The determination of Intrepid's proven and probable reserves are based on extensive drilling, sampling, mine modeling, mineral recovery, and the economic feasibility of accessing the reserves. The price sensitivity of reserves depends upon several factors including ore grade, ore thickness, and ore mineral composition. The reserves are estimated based on information available at the time the reserves are calculated. Recovery rates vary depending on the mineral properties of each deposit and the production process used. The reserve estimate utilizes the average recovery rate for the deposit, which takes into account the processing methods scheduled to be used. The cutoff grade, or lowest grade of mineralized material considered economic to process, varies with material type, mineral recoveries, operating costs, and expected selling price. Proven and probable reserves are based on estimates, and no assurance can be given that the indicated levels of recovery of potash and langbeinite will be realized or that production costs and estimated future development costs will not exceed the net realizable value of the products. Tons of potash and langbeinite in the proven and probable reserves are expressed in terms of expected finished tons of product to be realized, net of estimated losses. Reserve estimates may require revision based on actual production experience. Market price fluctuations of potash or Trio , as well as increased production costs or reduced recovery

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

rates, could render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and might result in a reduction of reserves. In addition, the provisions of Intrepid's mineral leases, including royalties payable, are subject to periodic readjustment by state and/or federal government, which could affect the economics of its reserve estimates. Significant changes in the estimated reserves could have a material impact on Intrepid's results of operations and financial position.

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

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

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

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

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

Cash and Cash Equivalents Cash and cash equivalents consist of cash and liquid investments with an original maturity of three months or less. Included in cash and cash equivalents at June 30, 2010, were $1.4 million in cash and $96.6 million in cash equivalent investments, which consisted of money market accounts or certificates of deposit with banking institutions for $10.2 million, U.S. treasuries with daily liquidity of approximately $30.3 million, and U.S. Bank National Association ("U.S. Bank") overnight commercial paper of approximately $56.1 million.

Investments Intrepid's short-term and long-term investments consist of certificates of deposit with various banking institutions, which have been classified as financial instruments, and U.S government agency taxable bonds, which have been classified as held-to-maturity debt securities. Short-term investments on the consolidated balance sheet have remaining maturities to Intrepid less than or equal

INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to one year, and investments classified as long-term on the consolidated balance sheet have remaining maturities to Intrepid greater than one year. These investments are carried on the consolidated balance sheet at cost, net of amortized premiums or discounts paid. Amortized cost for the U.S. government agency taxable bonds was approximately $20.0 million at June 30, 2010, and zero at December 31, 2009. The fair value of Intrepid's investments at June 30, 2010, and December 31, 2009, approximated their carrying amounts. Fair value is assessed using a market-based approach.

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

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

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

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

Note 4 EARNINGS PER SHARE

The treasury stock method is used to measure the dilutive impact of non-vested restricted shares of common stock and outstanding stock options. For the three months ended June 30, 2010, and 2009, a weighted average of 138,512 and 179,004 non-vested shares of restricted common stock and 233,291 and 174,229 stock options, respectively, were anti-dilutive and therefore were not included in the

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 4 EARNINGS PER SHARE (Continued)

diluted weighted average share calculation. For the six months ended June 30, 2010, and 2009, a weighted average of 129,253 and 189,222 non-vested shares of restricted common stock and 174,013 and 113,446 stock options, respectively, were anti-dilutive and therefore were not included in the diluted weighted average share calculation

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

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net income	$ 3,602	$ 14,436	$ 15,448	$ 39,117
Basic weighted average common shares outstanding	75,086	75,017	75,065	74,996
Add: Dilutive effect of non-vested restricted common stock	31	13	51	10
Add: Dilutive effect of stock options outstanding	9		13	
Diluted weighted average common shares outstanding	75,126	75,030	75,129	75,006
Earnings per share:				
Basic	$ 0.05	$ 0.19	$ 0.21	$ 0.52
Diluted	$ 0.05	$ 0.19	$ 0.21	$ 0.52

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, 2010, and December 31, 2009, respectively (in thousands):

	June 30, 2010	December 31, 2009
Product inventory	$ 33,221	$ 46,916
In-process mineral inventory	7,151	6,801
Current parts inventory	10,191	8,232
Total current inventory	50,563	61,949
Long-term parts inventory	7,280	7,149
Total inventory	$ 57,843	$ 69,098

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

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 6 PROPERTY, PLANT, AND EQUIPMENT AND MINERAL PROPERTIES

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

	June 30, 2010	December 31, 2009
Buildings and plant	$ 48,780	$ 46,547
Machinery and equipment	157,016	127,792
Vehicles	7,894	7,796
Office equipment and improvements	13,047	12,896
Ponds and land improvements	5,234	5,193
Construction in progress	59,255	62,736
Land	263	230
Accumulated depreciation	(53,780)	(41,787)
	$ 237,709	$ 221,403
Mineral properties and development costs	$ 40,487	$ 41,103
Construction in progress	663	
Accumulated depletion	(7,844)	(7,174)
	$ 33,306	$ 33,929
Water rights in "Other Assets"	$ 2,670	$ 2,670
Accumulated depletion	(156)	(139)
	$ 2,514	$ 2,531

"Mineral properties and development costs" include accumulated costs of approximately $1.3 million as of June 30, 2010, and December 31, 2009, associated with the presently idled HB Solar Solution Mine. "Construction in progress" related to property, plant, and equipment associated with the HB Solar Solution Mine also includes approximately $29.3 million and $27.2 million as of June 30, 2010, and December 31, 2009, respectively. No depletion or depreciation is currently being recognized on this property or its related assets, as the mine has not yet been placed in service and there is no basis over which to amortize the historical costs. Intrepid is actively seeking the required permits and approvals from the Bureau of Land Management and the state of New Mexico to resume production from this mine through the use of solution mining techniques and the application of solar evaporation, similar to the operations in Moab, Utah. With respect to such permits and approvals, Intrepid recently received a ground water discharge permit from the New Mexico Environment Department.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 6 PROPERTY, PLANT, AND EQUIPMENT AND MINERAL PROPERTIES (Continued)

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

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Depreciation	$ 6,196	$ 3,804	$ 12,078	$ 6,874
Depletion	260	223	685	421
Amortization	55	55	111	111
Accretion	176	173	352	341
Total	$ 6,687	$ 4,255	$ 13,226	$ 7,747

Note 7 DEBT

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

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

Note 8 ASSET RETIREMENT OBLIGATION

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

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

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 8 ASSET RETIREMENT OBLIGATION (Continued)

liability occur due to changes in estimated abandonment costs or economic lives, or if federal or state regulators enact new requirements regarding the abandonment of mines.

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

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Asset retirement obligation beginning of period	$ 8,805	$ 8,306	$ 8,619	$ 8,138
Changes in estimated obligations		187	10	187
Accretion of discount	176	173	352	341
Total asset retirement obligation end of period	$ 8,981	$ 8,666	$ 8,981	$ 8,666