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

FORM 10-K

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x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013
or
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-34025
INTREPID POTASH, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	26-1501877
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
707 17th Street, Suite 4200, Denver, Colorado	80202
(Address of principal executive offices)	(Zip Code)

(303) 296-3006
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. x

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 by Rule 12b-2 of the Exchange Act). Yes ¨ No x

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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PART I

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

- "Intrepid," "our," "we," or "us" means Intrepid Potash, Inc. and its consolidated subsidiaries.
- "West," "East," "North," and "HB" mean our four operating facilities near Carlsbad, New Mexico. "Moab" means our operating facility in Moab, Utah. "Wendover" means our operating facility in Wendover, Utah. You can find more information about our facilities in Item 2 of this Annual Report on Form 10-K.
- "Tons" mean short tons. One short ton equals 2,000 pounds. Many of our international competitors refer to metric tonnes. One metric tonne equals 1,000 kilograms or 2,205 pounds.
- To supplement our consolidated financial statements, which are presented in this Annual Report on Form 10-K and which are prepared and presented in accordance with GAAP, we also use several non-GAAP financial measures to monitor and evaluate our performance. These non-GAAP financial measures include net sales, average net realized sales price, cash operating costs and average potash and Trio® gross margin. These non-GAAP measures are described and reconciled to the most comparable GAAP measures in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures of this Annual Report on Form 10-K.
- We have included technical terms important to an understanding of our business in the "Glossary of Terms" in Item 1 of this Annual Report on Form 10-K.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Securities Act of 1933, as amended (the "Securities Act"). These forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in this Annual Report on Form 10-K other than statements of historical fact are forward looking statements. Forward-looking statements include statements about our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, among other things, In some cases, you can identify these statements by forward looking words, such as "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predic Forward looking statements are only predictions based on our current knowledge, expectations, and projections about future events.

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

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

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- our ability to comply with covenants in our debt-related agreements to avoid a default under those agreements, or the total amount available to us under our credit facility is reduced, in whole or in part, because of covenant limitations
- disruption in the credit markets
- our ability to secure additional federal and state potash leases to expand our existing mining operations
- the other risks, uncertainties, and assumptions described in Item 1A. Risk Factors and elsewhere in this Annual Report on Form 10-K.

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

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

ITEM 1. BUSINESS

General

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

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

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

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

Company History

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

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

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

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

Our Products and Markets

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

Potash

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

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

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

Trio®

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

Industry Overview

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

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

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

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

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

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

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

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

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

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

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

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

Competition

We sell into commodity markets and compete based on delivered price of potash and Trio®, timely service, reliability of supply, and product quality. Products must be durable, and maintain particle size and potassium oxide ("K_2O") content benchmarks in order to compete effectively. Further, our customers value our ability to deliver product in a timely manner.

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

Strategy

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

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

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

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

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

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

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

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

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

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

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

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

Competitive Strengths

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

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phosphate products. The mining sector has experienced considerable cost pressures over the past several years.

- As a U.S. producer, we enjoy a significantly lower total production tax and royalty burden than our principal competitors, which operate primarily in Saskatchewan, Canada. The Saskatchewan tax system for potash producers includes a capital tax and several potash mineral taxes, none of which are imposed on us as a U.S. producer. The Saskatchewan potash mineral tax includes a crown royalty, a base payment, and a profit tax. We currently pay an average royalty rate of approximately 4% of our net sales, which compares favorably to that of our competitors in Canada. We expect our average royalty rate to increase closer to 5% in the coming years, as our federal potash leases in New Mexico are expected to be renewed at a flat 5% rate rather than at a sliding scale of 2% to 5%. The relative tax and royalty advantage for U.S. producers becomes more pronounced when profits per ton increase due primarily to the profit tax component of the Saskatchewan potash mineral tax.
- Solar evaporation operations. The HB Solar Solution mine, located in the New Mexico desert, the Moab mine and the Wendover facility, both located in the Utah desert, utilize solar evaporation to crystallize potash from brines. Solar evaporation is a low-cost and energy-efficient method of producing potash. Our understanding and application of low cost solution mining, combined with the favorable climate for evaporation at our solution mining locations, allow these facilities to enjoy relatively low production costs.
- Assets located near our primary customer base. Our mines are advantageously located near our largest customers. We believe that our locations allow us to obtain higher average net realized sales prices than our competitors, who must ship their products across longer distances to consuming markets, which are often export markets. Our location allows us to target sales to the markets in which we have the greatest transportation advantage, maximizing our average net realized sales price. Our access to strategic rail destination points and our location along major agricultural trucking routes support this advantage. In addition, our location in oil and gas producing regions allows us to serve industrial customers, the majority of whom we service by truck.
- Diversity of markets. We sell to three different markets for potash—the agricultural, industrial and feed markets. During 2013, these markets represented approximately 71%, 21%, and 8% of our potash sales, respectively. According to Fertecon, approximately 91% of all potash produced is used as a fertilizer highlighting that we have more diversified markets into which we sell our potash. A primary component of the industrial markets we serve is the oil and natural gas services industry, where potash is commonly used in drilling and fracturing oil and natural gas wells.
- Participation in specialty markets. Given the greater scarcity of langbeinite relative to potash and its agronomic suitability for certain soils and crops, there is demand for our langbeinite product, known as Trio®, outside of our core potash markets. As our langbeinite production levels have increased following completion of the Langbeinite Recovery Improvement Project, we have increased our marketing activities for this specialty product. There appears to be a growing awareness of the agronomic value of the magnesium and sulfate in this specialty product, which was evidenced by stronger Trio® pricing in 2013 as potash pricing softened.
- Significant reserve life and water rights. Our potash and langbeinite reserves each have substantial years of reserve life, with remaining reserve life ranging from 28 to 170 years, based on proven and probable reserves estimated in accordance with U.S. Securities and Exchange Commission ("SEC") requirements. This lasting reserve base is the result of our past acquisition and development strategy. In addition to our reserves, we have valuable water rights and access to significant mineralized areas of potash for potential future exploitation.
- Existing facilities and infrastructure. Constructing a new potash production facility requires substantial time and extensive capital investment in mining, milling, and infrastructure to process, store and ship product. Our six operating facilities already have significant facilities and infrastructure in place. We have the ability to expand our business using existing installed infrastructure, in less time and with lower expenditures than would be required to construct entirely new mines.
- Track record of innovation and modernization. Our management team has a history of building successful operations through the acquisition of underutilized assets, followed by creative use of technology to increase productivity and reliability and to re-invest cash flows into the business to grow production. As an entrepreneurial, potash-only producer, we have devoted considerable management attention to each facility,

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

International Marketing and Distribution

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

Major Customers

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

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

Environmental, Safety, and Health Matters

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

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

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

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

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Product Registration Requirements

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

Operating Requirements and Government Regulations

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

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

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

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

our operations.

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

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

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

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

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

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

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

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

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

Reclamation Obligations

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

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

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

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

Taxes and Insurance

Royalties and Other Taxes

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

Income Taxes

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

Insurance

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

Seasonality

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

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

Employees

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

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

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

Available Information

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Executive Officers

The following section includes biographical information for our executive officers.

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

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

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

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

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

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

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

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

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

ITEM 1A. RISK FACTORS

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

Risks Related to Our Business

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

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

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

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

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

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

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

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

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

Adverse conditions in the global economy and disruptions in the financial markets could negatively affect our results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are subject to numerous federal and state laws and regulations covering a wide variety of subject matters. Changes in these laws or regulations could require us to modify our operations, objectives, or reporting practices in ways that adversely impact our financial condition or results of operations. In addition, new laws and regulations, or new interpretations of or enforcement practices with respect to existing laws and regulations, could similarly impact our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Increased costs could affect our per-ton profitability.

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

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

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

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

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

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

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

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

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

Even under the new order, it is possible that oil and gas drilling in this area could limit our ability to mine valuable potash reserves or mineralized deposits because of setbacks from oil and gas wells and the establishment of unminable buffer areas around oil or gas wells. It is also possible that the BLM could determine that the size of these unminable buffer areas should be larger than they are currently, which could impact our ability to mine our potash reserves. We review applications for permits to drill oil and gas wells as they are publicly disclosed by the BLM and the State of New Mexico Oil and Gas Conservation Commission. When appropriate, we protest applications for drilling permits that we believe should not be drilled consistent with the operative federal and state rules and that could impair our ability to mine our potash reserves or put at risk the safety of our potash miners. We may not prevail in these protests or be able to prevent wells from being drilled in the vicinity of our potash reserves. If, notwithstanding our protests and appeals, a sufficient number of wells are drilled through or near our potash reserves, our potash reserves could be significantly impaired, which could adversely affect our financial condition or results of operations.
If we are unable to obtain and maintain the required permits, governmental approvals, and leases necessary for our operations, our business could be adversely affected.
We hold numerous governmental, environmental, mining, safety, and other permits and approvals authorizing the operations at each of our facilities. A decision by a governmental agency to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could prevent or limit us from continuing our operations at the affected facility, which could have an adverse effect on our business, financial condition, and results of operations.
Any expansion of our existing operations would also require us to secure the necessary environmental and other permits and approvals. We may not be able to obtain these permits and approvals in a timely manner or at all. In addition, the federal government must consider and study a project's likely environmental impacts. Based on the federal government's conclusion, it could require an environmental assessment or an environmental impact statement as a condition of approving a project or permit, which could result in significant time delays and costs. Furthermore, many of our operations take place on land that is leased from federal and state governmental authorities. Expansion of our existing operations could require securing additional federal and state leases. We may not be able to obtain these leases in a timely manner or at all. In addition, our existing leases generally require us to commence mining operations within a specified time frame and to continue mining in order to retain the lease. The loss of a lease could adversely affect our ability to mine the associated reserves.
Also, our existing leases require us to make royalty payments based on the revenue generated by the potash we produce from the leased land. The royalty rates are subject to change whenever we renew our leases, which could lead to significant increases in these rates. As of December 31, 2013, approximately 11% of our state and federal lease acres at our New Mexico facilities (including leases at the HB and North mines) and none of our state and federal lease acres at our Utah operations will be up for renewal within the next five years. Increases in royalty rates would reduce our profit margins and, if the increases were significant, would adversely affect our results of operations.

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

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

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

Final completion and commissioning of the HB Solar Solution mine could involve significant costs and risks.

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

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

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

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

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

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

We are less diversified than nearly all of our competitors, and a decrease in the demand for potash and langbeinite or an increase in potash supply could have an adverse effect on our financial condition and results of operations.

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

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

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

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bearing strata in many underground mines carries the risk of water inflows into the mines. If we experience water inflows at our mines, our employees could be injured and our equipment and mine shafts could be seriously damaged. We could be forced to shut down the affected mine temporarily, potentially resulting in significant production delays, and spend substantial funds to repair or replace damaged equipment. Inflows may also destabilize the mine shafts over time, resulting in safety hazards for employees and potentially leading to the permanent abandonment of a mine.

Heavy fall precipitation or low evaporation rates at our solar solution mines could delay our potash production at those facilities, which could adversely affect our sales and results of operations.

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

Environmental laws and regulations could subject us to significant liability and require us to incur additional costs.

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

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

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

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

- changes in the interpretation of environmental laws

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business may be adversely affected by union activities.

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

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

Risks Related to our Common Stock

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

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

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

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

We may issue additional securities, including securities that are senior in right of dividends, liquidation, and voting to our common stock, without your approval, which would dilute your existing ownership interests.

Our board of directors may issue shares of preferred stock or additional shares of common stock without the approval of our stockholders, except as may be required by applicable New York Stock Exchange ("NYSE") rules. Our board of

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

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Properties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

extending through November 30, 2017.

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

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Proven and Probable Reserves

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

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

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

				Proven (4)	Probable (7)
Product/Operations	Date Mine Opened (2)	Current Extraction Method	Minimum Remaining Life (years) (3)		