UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2008

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	**(I.R.S. Employer**
Incorporation or Organization)	**Identification No.)**

700 17th Street, Suite 1700

Denver, Colorado 80202

(303) 296-3006

(Address of Principal Executive Offices, Including Zip Code)

(Registrant s Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

As of October 31, 2008, 74,843,124 shares of the registrant s common stock, par value of $0.001 per share, were outstanding.

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INTREPID POTASH, INC. and INTREPID MINING LLC

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INTREPID POTASH, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share amounts)

	Intrepid Potash, Inc.		Intrepid Mining LLC (Predecessor)
	September 30, 2008	December 31, 2007	December 31, 2007
ASSETS			
Cash and cash equivalents	$ 138,818	$ 1	$ 1,960
Accounts receivable:			
Trade, net	47,360		23,251
Other receivables	202		264
Related parties			248
Inventory, net	23,062		18,501
Prepaid expenses and other current assets	6,667		3,223
Current deferred tax asset	279		
Total current assets	216,388	1	47,447
Property, plant and equipment, net of accumulated depreciation of $25,374 and $0, respectively, for Intrepid Potash, Inc.; and $18,728 for Intrepid Minng LLC	105,255		63,519
Mineral properties and development costs, net of accumulated depletion of $6,009 and $0, respectively, for Intrepid Potash, Inc.; and $5,054 for Intrepid Mining LLC	22,986		23,255
Long-term parts inventory, net	5,105		4,634
Other assets	6,633		7,872
Non-current deferred tax asset	334,928		
Total Assets	$ 691,295	$ 1	$ 146,727
LIABILITIES AND STOCKHOLDERS / MEMBERS EQUITY			
Accounts payable:			
Trade	$ 16,412	$	$ 8,213
Related parties	113		
Accrued liabilities	24,231		16,317
Income taxes payable	18,846		
Current installments of long-term debt			5,005
Other current liabilities	889		781
Total current liabilities	60,491		30,316
Long-term debt, net of current installments			96,350
Accrued pension liability	716		646
Asset retirement obligation	8,723		7,779
Other non-current liabilities	995		1,239

Total Liabilities	70,925		136,330
Commitments and Contingencies			
Members equity of Intrepid Mining LLC			11,035
Common stock of Intrepid Potash, Inc., $0.001 par value; 100,000,000 shares authorized and 74,843,124 shares outstanding at September 30, 2008, and 1,000 shares authorized and outstanding at December 31, 2007	75		
Additional paid-in capital	545,457	1	
Accumulated other comprehensive loss	(638)		(638)
Retained earnings	75,476		
Total Stockholders / Members Equity	620,370	1	10,397
Total Liabilities and Stockholders / Members Equity	$ 691,295	$ 1	$ 146,727

See accompanying notes to these consolidated financial statements

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INTREPID POTASH, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share amounts)

	Intrepid Potash, Inc.			Intrepid Mining LLC (Predecessor)	
	Three Months Ended September 30, 2008	April 25, 2008 Through September 30, 2008	January 1, 2008 Through April 24, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007
Sales	$ 146,257	$ 226,420	$ 109,420	$ 52,859	$ 157,139
Less:					
Freight costs	5,054	8,591	12,359	5,067	16,065
Warehousing and handling costs	1,976	3,216	2,235	1,173	3,516
Cost of goods sold	49,133	77,084	48,647	30,844	96,600
Gross Margin	90,094	137,529	46,179	15,775	40,958
Selling and administrative	9,394	14,708	6,034	4,484	10,805
Accretion of asset retirement obligation	185	299	198	145	434
Exploration and other	1,010	1,010			
Operating Income	79,505	121,512	39,947	11,146	29,719
Other Income (Expense)					
Interest expense, including realized and unrealized derivative gains and losses	(643)	(457)	(2,456)	(2,622)	(6,587)
Interest income	440	720	46	19	60
Insurance settlements in excess of property losses	(1)	(33)	6,998	755	
Other income (expense)	(108)	(594)	(42)	82	(187)
Income Before Income Taxes	79,193	121,148	44,493	9,380	23,005
Income Tax (Expense) Benefit	(29,474)	(45,665)	4		
Net Income	$ 49,719	$ 75,483	$ 44,497	$ 9,380	$ 23,005
Weighted Average Shares Outstanding:					
Basic	74,843,124	74,843,124			
Diluted	75,002,839	74,991,166			
Earnings Per Share:					
Basic	$ 0.66	$ 1.01			
Diluted	$ 0.66	$ 1.01			

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (UNAUDITED)

(In thousands, except share amounts)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained (Deficit) Earnings	Total Stockholders (Deficit) Equity
Balance, December 31, 2007	1,000	$	$ 1	$	$	$ 1
Net loss					(7)	(7)
Balance, April 24, 2008	1,000		1		(7)	(6)
Sale of shares of common stock at $32.00 per share in initial public offering, net of underwriting fees of $66.2 million and offering costs of $5.3 million	34,500,000	35	1,032,318			1,032,353
Net equity contribution from Intrepid Mining LLC resulting from the execution of the exchange agreement; net of $9.4 million of cash and $18.9 million of debt retained by Intrepid Mining LLC	40,339,000	40	50,135	(638)		49,537
Cash distributed to Intrepid Mining LLC in exchange, in part, for the net assets and liabilities contributed pursuant to the exchange agreement			(757,395)			(757,395)
Formation distribution paid to Intrepid Mining LLC as part of the formation transaction			(135,360)			(135,360)
Deferred tax asset resulting from the tax basis of assets transferred to Intrepid Potash, Inc. from Intrepid Mining LLC plus step-up in tax basis of assets from the formation transactions			351,124			351,124
Stock-based compensation expense resulting from the issuance of restricted stock awards			4,534			4,534
Stock-based compensation to directors for shares issued	3,124		100			100
Net income					75,483	75,483
Balance, September 30, 2008	74,843,124	$ 75	$ 545,457	$ (638)	$ 75,476	$ 620,370

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Intrepid Potash, Inc. April 25, 2008 Through September 30, 2008	Intrepid Mining LLC (Predecessor) January 1, 2008 Through April 24, 2008	Intrepid Mining LLC (Predecessor) Nine Months Ended September 30, 2007
Cash Flows from Operating Activities:			
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 75,483	$ 44,497	$ 23,005
Deferred income taxes	15,920	(4)	
Insurance reimbursements	33	(6,998)	(6,941)
Items not affecting cash:			
Depreciation, depletion, amortization and accretion	5,105	3,543	6,500
Stock-based compensation	4,634		
Capitalized loan fee write-off	456		
Loss on disposal of assets and other	1,138	35	549
Financial instruments loss (gain)	(262)	439	(827)
Bond sinking fund unrealized loss (gain)	497	135	(130)
Changes in operating assets and liabilities:			
Trade accounts receivable	(12,223)	(11,886)	(3,612)
Insurance and other receivables	124	186	10,691
Inventory	(4,201)	(830)	3,102
Prepaid expenses and other assets	823	(4,349)	(564)
Accounts payable and accrued liabilities	3,443	1,494	(115)
Income taxes payable	18,846		(498)
Other current liabilities	(4)	(251)	
Total cash provided by operating activities	109,812	26,011	31,160
Cash Flows from Investing Activities:			
Proceeds from insurance reimbursements	(33)	6,998	6,941
Additions to property, plant, and equipment	(23,774)	(14,747)	(21,270)
Additions to mineral properties and development costs	(225)	(15)	(47)
Cash received in exchange transaction with Intrepid Mining LLC	428		
Additions to bond sinking fund	(38)	(10)	(38)
Total cash used in investing activities	(23,642)	(7,774)	(14,414)
Cash Flows from Financing Activities:			
Issuance of common stock, net of expenses	1,032,354		
Proceeds from long-term debt		11,503	226,508
Repayments on long-term debt, including Long Canyon note in 2007	(86,951)	(7,009)	(267,876)
Debt issuance costs			(1,608)
Repayment of loans by Members			148
Capital contribution, net of expenses			38,786
Members capital distributions		(15,000)	(10,500)

Payments to Intrepid Mining LLC for exchange of assets and liabilities and formation distribution		(892,755)				
Total cash provided by (used in) financing activities		52,648		(10,506)		(14,542)
Net Change in Cash and Cash Equivalents		138,818		7,731		2,204
Cash and Cash Equivalents, beginning of period				1,960		286
Cash and Cash Equivalents, end of period	$	138,818	$	9,691	$	2,490
Supplemental disclosure of cash flow information						
Cash paid during the period for:						
Interest	$	435	$	2,274	$	5,586
Income taxes	$	10,899	$		$	

See accompanying notes to these consolidated financial statements

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Supplemental schedule of noncash investing and financing activities

On April 25, 2008, Intrepid Potash, Inc. (Intrepid) closed on its initial public offering (IPO) by selling 34,500,000 shares of common stock at $32.00 per share. Simultaneously, on April 25, 2008, pursuant to an exchange agreement (Exchange Agreement), Intrepid Mining LLC (Mining) assigned all of its assets other than approximately $9.4 million of cash to Intrepid in exchange for 40,339,000 shares of common stock, approximately $757.4 million of the net proceeds of the IPO, and the assumption by Intrepid of all amounts in excess of $18.9 million of the principal amount outstanding under Mining s senior credit facility as of April 25, 2008 (including a pro rata share of the fees and accrued interest attributable to the assumed indebtedness) and all other liabilities and obligations of Mining. In connection with the exercise of the underwriters over-allotment option, Intrepid also distributed to Mining approximately $135.4 million on April 25, 2008. The transfer of the nonmonetary assets by Mining to Intrepid pursuant to the Exchange Agreement has been accounted for at historical cost because the members of Mining received common stock of Intrepid, representing a controlling interest in Intrepid, in connection with the IPO. The assets and liabilities received in the exchange for common stock were as follows (in thousands):

Accounts receivable	$ 35,463
Prepaid expenses and other current assets	27,178
Property, plant and equipment, net	76,235
Mineral properties and development costs, net	22,737
Long-term parts inventory, net	4,930
Other assets	7,325
Assets	173,868
Accounts payable	12,040
Accrued liabilities	14,552
Other current liabilities	921
Long-term debt, including current installments	86,950
Accrued pension liability	662
Asset retirement obligation	7,977
Other non-current liabilities	1,229
Liabilities	124,331
Resulting value of equity from the exchange transaction	$ 49,537

On April 25, 2008, the Company issued 3,124 shares of common stock to its directors. This noncash item was recorded as stock compensation expense in the period from April 25, 2008, through September 30, 2008.

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1 COMPANY BACKGROUND

Intrepid Potash, Inc. (Intrepid or the Company) and its subsidiaries produce muriate of potash (MOP, potassium chloride, or potash); langbeinite; and byproducts including salt, magnesium chloride and metal recovery salts. Intrepid owns five active potash production facilities, three in New Mexico and two in Utah. Production comes from two underground mines in the Carlsbad region of New Mexico; a solar evaporation solution mine near Moab, Utah; and a solar evaporation shallow brine mine in Wendover, Utah. Intrepid has one operating segment, the extraction and production of potash-related products, as defined by Statement of Financial Accounting Standards (SFAS) 131, and its operations are conducted entirely in the continental United States.

Note 2 THE COMPANY AND THE INITIAL PUBLIC OFFERING OF INTREPID POTASH, INC.

Intrepid was incorporated in the state of Delaware on November 19, 2007 for the purpose of continuing the business of Intrepid Mining LLC (Mining) in corporate form after an initial public offering. On April 25, 2008, Intrepid closed on the sale of 34,500,000 shares of common stock in an initial public offering (IPO), including 4,500,000 shares sold in connection with the underwriters exercise of their over-allotment option. Prior to April 25, 2008, Intrepid was a consolidated subsidiary of Mining, the predecessor company. Beginning on April 25, 2008, Mining s ongoing business has been conducted by Intrepid and includes all operations that previously had been conducted by Mining. There were no material activities for Intrepid for the period from its inception to the date of the IPO.

The 34,500,000 shares of common stock sold in the IPO were sold at a price of $32.00 per share, for aggregate offering proceeds of $1.104 billion. Intrepid received aggregate net proceeds of approximately $1.032 billion after deducting underwriting discounts, commissions, and other transaction costs of approximately $71.6 million. On April 25, 2008, pursuant to an exchange agreement (Exchange Agreement) dated April 21, 2008 by and between Intrepid and Mining, Mining assigned to Intrepid all of its assets other than approximately $9.4 million of cash in exchange for 40,339,000 shares of common stock, approximately $757.4 million of the net proceeds of the IPO, the assumption by Intrepid of all amounts in excess of $18.9 million of the principal amount outstanding under Mining s senior credit facility as of April 25, 2008 (including a pro rata share of the fees and accrued interest attributable to the assumed indebtedness), and all other liabilities and obligations of Mining. In connection with the exercise of the underwriters over-allotment option, Intrepid also distributed to Mining approximately $135.4 million on April 25, 2008 (the Formation Distribution). The IPO, the transactions under the Exchange Agreement, and the Formation Distribution are referred to collectively as the Formation Transactions. Upon the closing of the IPO, Intrepid replaced Mining as the borrower under the senior credit facility. Mining repaid $18.9 million of the principal amount outstanding under the senior credit facility, plus fees and accrued interest, from the amounts Mining received under the Exchange Agreement, and Intrepid repaid the remaining $86.9 million of principal outstanding, plus fees and accrued interest, using net proceeds from the IPO. The remaining approximately $52.6 million of net proceeds from the IPO were retained by Intrepid and were used to fund production expansions and other growth opportunities and for general corporate purposes. The transfer of the nonmonetary assets by Mining to Intrepid pursuant to the Exchange Agreement has been accounted for at historical cost because the members of Mining received common stock of Intrepid, representing a controlling interest in Intrepid, in connection with the IPO.

Mining was dissolved on April 25, 2008. On that date, Mining s estimated liabilities were provided for, and Mining s remaining cash of approximately $882.8 million and 40,340,000 shares of Intrepid common stock owned by Mining were distributed pro rata to Mining s members.

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Note 3 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and Regulation S-X of the Securities and Exchange Commission. They do not include all information and notes required by GAAP for complete financial statements. The accompanying unaudited consolidated financial statements reflect all adjustments, which are normal and recurring in nature, and which, in the opinion of management, are necessary for a fair presentation of the Company s financial position as of September 30, 2008 and results of operations for the three month period ended September 30, 2008 and the period from April 25, 2008 through September 30, 2008, for Intrepid, and the period from January 1, 2008 through April 24, 2008 and the three and nine month periods ended September 30, 2007, for Mining, as the predecessor entity.

The results of operations for the nine month period ended September 30, 2008 is presented in two columns, reflecting operations prior to and subsequent to the IPO of Intrepid as the successor of Mining. The period from January 1, 2008 through April 24, 2008 is reflected as the predecessor period for Mining. The period from April 25, 2008 through September 30, 2008 is referred to as the successor period of Intrepid. Mining is considered the predecessor entity to Intrepid. Intrepid was included in the consolidated financial statements of Mining until April 25, 2008. There were no material activities for Intrepid until April 25, 2008; therefore, discussions of related events before April 25, 2008 pertain to the activities of the predecessor entity, Mining, unless otherwise specified. These unaudited consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements and related notes of the predecessor entity, Mining, for the year ended December 31, 2007.

Note 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant estimates with regard to Intrepid s consolidated financial statements include the estimate of proved and probable mineral reserve volumes, useful lives of plant assets, and the related present value of estimated future net cash flows. There are numerous uncertainties inherent in estimating quantities of proved and probable reserves, projecting future rates of production, and the timing of development expenditures. Future mineral prices may vary significantly from the prices in effect at the time the estimates are made, as may estimates of future operating costs. The estimate of proven and probable mineral reserve volumes, useful lives of plant assets, and the related present value of estimated future net cash flows can affect depletion, the net carrying value of Intrepid s mineral properties, and the useful lives of related property, plant and equipment, as well as depreciation expenses.

Revenue Recognition Revenue is recognized when evidence of an arrangement exists, risks and rewards of ownership have been transferred to customers, which is generally when title passes, the selling price is fixed and determinable, and collection is reasonably assured. Title passes at the shipping point for all domestic sales and the majority of international sales. The shipping point may be the plant, a distribution warehouse, or a port. Title transfer for some shipments into Mexico is at the border crossing, which is the port of exit. Title passes for some international shipments upon payment by the purchaser; however, revenue is recognized for these transactions upon shipment because the risks and rewards of ownership have transferred pursuant to contractual arrangement. Prices are set at the time of, or prior to, shipment. Intrepid uses few sales contracts, so prices are based on Intrepid s current published prices or upon negotiated short-term purchase orders from customers.

Sales are reported on a gross basis. Intrepid quotes prices to customers both on a delivered basis and on the basis of pick-up at Intrepid s plants and warehouses. Intrepid incurs and bills for freight, packaging, and certain other distribution costs only on the portion of its sales for which it is responsible, as most customers arrange for and pay for these costs.

Byproduct credits When byproduct inventories are sold, the Company records these sales of byproducts as a credit to cost of goods sold expense.

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

Parts inventory, including critical spares, that is not expected to be utilized within a period of one year is classified as non-current. Parts and supply inventory cost is determined using the lower of average acquisition cost or estimated replacement cost.

Intrepid conducts detailed reviews related to the net realizable value of inventory, giving consideration to quality, slow-moving items, obsolescence, excessive levels, and other factors. Parts inventories not having turned-over in more than a year, excluding parts classified as critical spares, are reviewed for obsolescence and included in the determination of an allowance for obsolescence.

Property, Plant, and Equipment Costs of property, plant, and equipment are capitalized when the asset is estimated to have a future economic benefit and a useful and economic life of over one year. Property, plant, and equipment are stated at historical cost or at the allocated values determined upon acquisition of the business entities. Property, plant, and equipment are depreciated under the straight-line method using estimated useful lives. The cost basis for construction in progress was adjusted upwards for capitalized interest prior to the extinguishment of our debt. No depreciation is taken on assets classified as construction in progress until the asset is placed into service. Gains and losses are recorded upon retirement, sale, or disposal of assets. Maintenance and repair costs are recognized as incurred.

Mineral Properties and Development Costs Mineral properties and development costs, which we refer to collectively as mineral properties, include acquisition costs, the cost of drilling wells, and the cost of other development work. Depletion of mineral properties is provided using the units-of-production method over the estimated life of the relevant ore body. The lives of reserves used for accounting purposes are shorter than current reserve life determinations prepared by us and reviewed and independently determined by mine consultants, due to uncertainties inherent in long-term estimates and in order to correlate to estimated building and plant lives of 25 years or less, where appropriate. Certain development costs are depleted over the life of the proven and probable reserves or the life of the associated facility. Reserve studies and mine plans are updated periodically, and the remaining net balance of the mineral properties is depleted over the updated estimated life, subject to the 25-year limit. Possible impairment is also considered in conjunction with updated reserve studies and mine plans. Our proven and probable reserves are based on extensive drilling, sampling, mine modeling, and

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mineral recovery from which economic feasibility has been determined. The price sensitivity of reserves depends upon several factors including ore grade, ore thickness, and ore mineral composition. The reserves are estimated based on information available at the time the reserves are calculated. Recovery rates vary depending on the mineral properties of each deposit and the production process used. The reserve estimate utilizes the average recovery rate for the deposit, which takes into account the processing methods scheduled to be used. The cutoff grade, or lowest grade of mineralized material considered economic to process, varies with material type, mineral recoveries, operating costs, and expected selling price. Proven and probable reserves are based on estimates, and no assurance can be given that the indicated levels of recovery of potash and langbeinite will be realized or that production costs and estimated future development costs will not exceed the net realizable value of the products. Short tons of potash and langbeinite in the proven and probable reserves are expressed in terms of expected finished short tons of product to be realized, net of estimated losses. Reserve estimates may require revision based on actual production experience. Market price fluctuations of potash or langbeinite, as well as increased production costs or reduced recovery rates, could render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and might result in a reduction of reserves. In addition, the provisions of our mineral leases, including royalties payable, are subject to periodic readjustment by the state and federal government, which could affect the economics of our reserve estimates. Significant changes in the estimated reserves could have a material impact on our results of operations and financial position.

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

Asset Retirement Obligation Reclamation costs are recognized as expense over the life of the related assets and are periodically adjusted to reflect changes in the estimates of either the timing or amount of the reclamation and abandonment costs.

Annual Maintenance Each operation typically shuts down annually for maintenance. The NM operations typically shut down for ten to fourteen days to perform turnaround maintenance. Generally, the Moab and Wendover operations cease harvesting potash from our solar ponds during one or more summer months to make the most of the evaporation season. However, during the summer of 2008, Wendover operated on a continual basis. During these summer turnarounds, annual maintenance is performed. Intrepid recognizes the cost of the maintenance performed during the turnaround when it occurs.

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

The federal income tax basis of the assets transferred to Intrepid pursuant to the Exchange Agreement is, in the aggregate, equal to Mining s adjusted tax basis in the assets as of the date of the exchange, increased by the amount of taxable gain recognized by Mining in connection with the Formation Transactions. Consequently, the federal income tax basis of the assets acquired by Intrepid pursuant to the Exchange Agreement is approximately $895 million. This estimated tax basis resulted in a net deferred tax asset of approximately $351 million being recorded, with a corresponding increase to additional paid-in capital. The Company is in the process of allocating the aggregate tax basis among the acquired assets, including inventory, property, plant and equipment, mineral properties, and other assets based on the appraised value of each asset. For financial reporting purposes at the date of the closing of the IPO, as of September 30, 2008, and the period from April 25, 2008 through September 30, 2008, Intrepid has estimated the adjusted tax basis in the assets as of the date of the exchange and the impact of the tax basis using an estimated allocation, recognizing that the final tax basis and allocation of the tax basis will be different from the Company s estimate for the tax related accounts on both the balance sheet and the income statement. The Company made an adjustment to reduce the deferred tax asset by $14 million from the amount estimated at the end of the second quarter. The final allocation will result in a difference in the calculation of current and deferred income taxes from the amounts estimated in the second and third quarters and will also impact the amounts recorded to deferred tax accounts and to the equity accounts of Intrepid as of the date of the IPO. The tax basis and the allocation are expected to be finalized in the fourth quarter of 2008, pending the completion of the final income tax return of Mining and the completion of the appraisal work being performed.

As a limited liability company, Mining did not pay federal and state income taxes, except for the Texas franchise tax, which is based on gross margin. The taxable income or loss of Mining has been included in the state and federal tax returns of its members.

Cash and Cash Equivalents Included in cash equivalents at September 30, 2008 were overnight investments held by US Bank National Association (US Bank). As of September 30, 2008, these short-term investments consisted of investments in U.S. treasuries of approximately $100.1 million and overnight Eurodollar deposits with US Bank of $34.0 million. The overnight Eurodollar deposits invested with the bank are essentially deposit arrangements with US Bank and are subject to the credit of US Bank.

Fair Value of Financial Instruments Intrepid s financial instruments include cash and cash equivalents, restricted cash, accounts receivable, and accounts payable, all of which are carried at cost and approximate fair value due to the short-term nature of these instruments. Allowances for doubtful accounts are recorded against the accounts receivable balance to estimate net realizable value. The revolving credit facility s recorded value approximates its fair value as it bears interest at a floating rate. Intrepid s interest rate and natural gas swaps have been recorded at fair value with adjustments to this fair value recognized currently in the statements of operations using established counterparty evaluations that are subjected to our review. Since considerable judgment is required to develop estimates of fair value, the estimates provided are not necessarily indicative of the precise amounts the Company could realize upon the sale, settlement, or refinancing of such instruments. (See Note 14 regarding derivatives.)

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

Diluted net income per common share of stock is calculated by dividing adjusted net income by the weighted average diluted common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for the diluted earnings per share calculations consist of non-vested restricted share awards. As required by SFAS 128, *Earnings per Share*, awards of non-vested shares to be issued to employees and consultants under a share-based compensation arrangement are considered options for purposes of computing earnings per share. The dilutive effect of share-based compensation arrangements are computed using the treasury stock method. The Company has no anti-dilutive securities. Following the lapse of the vesting period of restricted stock awards, the shares will be issued and therefore will be included in the number of issued and outstanding shares.

Stock-Based Compensation Intrepid accounts for stock-based compensation under the provisions of SFAS 123(R), *Share-Based Payment*. This statement requires the Company to record expense associated with the fair value of stock-based compensation. The Company has recorded compensation expense associated with the issuance of restricted stock awards using the fair value of the awards at the time of grant and amortizes the expense associated with such awards over the service periods. There are no performance or market conditions associated with these awards.

Reclassifications Certain reclassifications have been made to the prior year consolidated financial statements to conform to current year presentation. An accrual for stores inventory recently consumed was reclassified to accounts payable in the amount of $0.2 million in the consolidated balance sheet for Mining for the year ended December 31, 2007.

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Note 5 EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share for Intrepid for the 2008 post-IPO period (in thousands, except share and per share amounts). No earnings per share calculation exists for the predecessor periods of Mining, as Mining was a limited liability company and did not have shares outstanding.

	Intrepid Potash, Inc.	
	Three months ended September 30, 2008	April 25, 2008 through September 30, 2008
Net income	$ 49,719	$ 75,483
Basic weighted average common shares outstanding	74,843,124	74,843,124
Add: Dilutive effect of non-vested restricted stock awards		
(using the treasury stock method)	159,715	148,042
Diluted weighted average common shares outstanding	75,002,839	74,991,166
Earnings per share:		
Basic	$ 0.66	$ 1.01
Diluted	$ 0.66	$ 1.01

Note 6 INVENTORY AND LONG-TERM PARTS INVENTORY

The following summarizes Intrepid and Mining s inventory, recorded at the lower of weighted average cost or estimated net realizable value as of September 30, 2008 and December 31, 2007, respectively (in thousands):

	Intrepid Potash Inc. September 30, 2008	Intrepid Mining LLC (Predecessor) December 31, 2007
Product inventory	$ 10,155	$ 8,614
In-process mineral inventory	5,153	2,806
Current parts inventory	7,754	7,081
Total current inventory	23,062	18,501
Long-term parts inventory	5,105	4,634
Total inventory	$ 28,167	$ 23,135

Parts inventories are shown net of obsolescence reserves of $462,000 and $492,000 as of September 30, 2008 and December 31, 2007, respectively. No obsolescence or other reserves were deemed necessary for product or in-process mineral inventory.

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Note 7 PROPERTY, PLANT, EQUIPMENT AND MINERAL PROPERTIES

Property, plant and equipment and Mineral properties and development costs were comprised of the following:

	Intrepid Potash, Inc. September 30, 2008	Intrepid Mining LLC (predecessor) December 31, 2007	Ranges of useful lives (years): Lower limit	Upper limit
	(In thousands)			
Buildings and plant	$ 19,569	$ 18,949	5	25
Machinery and equipment	53,146	42,034	3	25
Vehicles	5,050	4,261	3	7
Office and other equipment	232	213	3	7
Computers	819	593	2	5
Software	1,471	1,430	3	3
Leasehold improvements	123	128	1.5	10
Ponds and land improvements	2,922	2,821	5	25
Construction in progress	46,870	11,391		
Land	427	427		
Accumulated depreciation	(25,374)	(18,728)		
	$ 105,255	$ 63,519		
Mineral properties and development costs	$ 28,995	$ 28,309	21	22
Accumulated depletion	(6,009)	(5,054)		
	$ 22,986	$ 23,255		
Water rights in Other Assets	$ 2,670	$ 2,670	18	18
Accumulated depletion	(92)	(53)		
	$ 2,578	$ 2,617		

Mineral properties and development costs include mineral properties associated with the presently idled HB mine, with accumulated costs to date of approximately $1.5 million as of September 30, 2008 and December 31, 2007. Therefore, no depletion is currently being recognized on this property, as the mine has not yet been placed in service and there is no basis over which to amortize the historical costs. Intrepid incurred the following costs for depreciation, depletion, amortization, and accretion, including costs capitalized into inventory, for the following periods (in thousands).

	Intrepid Potash, Inc.		Intrepid Mining LLC (Predecessor)		
	Three Months ended September 30, 2008	April 25, 2008 through September 30, 2008	January 1, 2008 through April 24, 2008	Three Months ended September 30, 2007	Nine Months ended September 30, 2007
Depreciation	$ 2,474	$ 4,170	$ 2,694	$ 1,711	$ 4,889
Depletion	359	533	555	332	963
Amortization	58	102	96	83	214
Accretion	185	300	198	145	434
Total incurred	$ 3,076	$ 5,105	$ 3,543	$ 2,271	$ 6,500

Note 8 MEMBERSHIP INTERESTS AND RELATED PARTIES

The members of Mining were Intrepid Production Corp. (IPC), whose sole shareholder is Robert P. Jornayvaz III (Mr. Jornayvaz), Harvey Operating and Production Company (HOPCO), whose sole shareholder is Hugh E. Harvey, Jr. (Mr. Harvey), and Potash Acquisition, LLC (PAL), controlled by Platte River Ventures Investors I, LLC. These members maintained a controlling interest in Intrepid subsequent to the IPO.

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As of September 30, 2008 for Intrepid and December 31, 2007 for Mining, related parties accounts receivable balances were zero and approximately $248,000, respectively. The December 31, 2007 balances consisted of advances to Intrepid Oil & Gas, LLC (IOG) members and employees. Subsequent to the IPO, Intrepid s Board approved a policy to provide certain services to IOG; these services are billed on a monthly basis and recognized as a receivable from IOG with collection due within 30 days. IOG billings by Intrepid were as follows (in thousands):

2008	
For the three months ended September 30, 2008	$
For the period from April 25, 2008 through September 30, 2008	$ 6
For the period from January 1, 2008 through April 24, 2008	$ 13
2007	
For the three months ended September 30, 2007	$ 12
For the nine months ended September 30, 2007	$ 35

Under Intrepid s aircraft use policy, Mr. Jornayvaz, Mr. Harvey, and approved executive officers are allowed to use Intrepid s plane for non-business purposes. This use of the aircraft is treated as compensation to them at the federal income tax standard rate for such travel. Additionally, Mr. Jornayvaz and Mr. Harvey may use the plane under dry-leases and reimburse Intrepid the lesser of the actual cost or the maximum amount chargeable under Federal Aviation Regulation 91-501(d). Personal use of the airplane is calculated based on occupied seat miles, rather than flight miles. Flight segments may have passengers for both personal and business purposes. Each seat occupied for personal use is multiplied by the flight segment miles to calculate the percentage of flight time reported as personal use.

Additionally, an entity known as BH Holdings LLC, which is owned by entities controlled by Mr. Jornayvaz and Mr. Harvey, entered into a dry-lease arrangement with the Company to allow Mr. Jornayvaz and Mr. Harvey use of an aircraft owned by BH Holdings LLC for Intrepid business purposes. The dry-lease rate and the dry-lease arrangement were approved by the Company s Audit Committee. In the quarter ended September 30, 2008 and the period from April 25, 2008 through September 30, 2008, Intrepid incurred dry-lease charges of $138,000 and $218,000, respectively. As of September 30, 2008, Intrepid has an accounts payable balance due to BH Holdings LLC of $95,000.

In 2007 and 2008, Pat Avery, President and Chief Operating Officer, and Pat Quinn, former interim Chief Financial Officer, were allowed to use Intrepid s plane for personal purposes, such use being determined based on occupied seat miles at the federal income tax standard rate.

Non-business use of Intrepid s plane treated as compensation was as follows (in thousands):

	Intrepid Potash, Inc.		**Intrepid Mining LLC (Predecessor)**		
	Three Months ended September 30, 2008	**April 25, 2008 through September 30, 2008**	**January 1, 2008 through April 24, 2008**	**Three Months ended September 30, 2007**	**Nine Months ended September 30, 2007**
Non-business use of the plane by Mr. Jornayvaz and Mr. Harvey	$ 3	$ 19	$ 40	$ 23	$ 61
Plane expense in excess of federal rates(1)	N/A	54	104	N/A	273
Non-business use of the plane by Mr. Avery and Mr. Quinn			6	1	7
Total incurred	$ 3	$ 73	$ 150	$ 24	$ 341

(1) In accordance with federal income tax method, allocation is only available on a year-to-date basis.

Effective January 1, 2007, the members of Mining decided to distribute their remaining interests in IOG. The amount of the equity distribution was approximately $938,000. While IOG continued as a related party, this distribution effectively separated IOG from Mining. Mining funded net expenses of approximately $216,000 for IOG, which was due from IOG at December 31, 2007 and was included in the related parties accounts receivable disclosed above. This $216,000 was repaid to Mining in the first quarter of 2008.

Intrepid s former interim Chief Financial Officer, who resigned in March 2008, is the primary owner of a firm of certified public accountants, Quinn & Associates, P.C. (Q&A), that provides accounting, consulting, and tax services to Intrepid. Q&A billed Intrepid based on actual hours incurred and at standard hourly rates. Mr. Quinn was a related party of Mining; however, because he resigned prior to the IPO, Mr. Quinn is not considered a related party to Intrepid. Q&A billings to Mining amounted to the following (in thousands):

For the period from January 1, 2008 through April 24, 2008	$ 226
For the three months ended September 30, 2007	$ 132
For the nine months ended September 30, 2007	$ 401

As of December 31, 2007, two letters of credit totaling $45,000 were outstanding with the State of Utah related to the unproven oil and gas properties held by IOG, a Mining related party. In April 2008, prior to the closing of the IPO, the letters of credit for IOG were canceled.

Note 9 NOTES PAYABLE AND LONG-TERM DEBT

The following summarizes Intrepid s and Mining s long-term debt at September 30, 2008 and December 31, 2007 (in thousands):

	Intrepid Potash, Inc. September 30, 2008	Intrepid Mining LLC (Predecessor) December 31, 2007
Credit Agreement	$	$ 101,350
Other		5
Total		101,355
Less current installments		(5,005)
Long-term debt	$	$ 96,350

In conjunction with the Formation Transactions described previously, all of the balances outstanding under the Company s credit agreement were repaid on April 25, 2008. The outstanding balance included $18.9 million plus fees and accrued interest that was repaid by Mining from the amounts Mining received under the Exchange Agreement, and $86.9 million plus fees and accrued interest that was repaid by Intrepid using net proceeds from the IPO. Additionally, because of this repayment, the term loan that was part of the credit agreement was canceled. Intrepid maintains a $125.0 million revolving credit facility that has a term through March 9, 2012, of which $124.9 million is available for use at September 30, 2008. The net balance of the original bank costs that had been capitalized associated with the term loan of $456,000 was expensed immediately after the closing of the IPO and therefore is recorded in the period from April 25, 2008 through September 30, 2008. As of September 30, 2008, the Company had $115,000 of letters of credit issued, which reduces the amounts available for borrowing and is reflected in the amount available for use above.

In conjunction with the closing of the IPO, the Company entered into the Fourth Amendment of the Third Amended and Restated Credit Agreement. This amendment replaced Mining with Intrepid, removed IOG from the agreement, and amended the distribution language to provide that Intrepid may make a distribution at a time when the cash flow leverage ratio (as defined) of Intrepid shall not be greater than 2.5:1.0 immediately before and immediately after the distribution. The Third Amended and Restated Credit Agreement was entered into on

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March 9, 2007. At that time, Mining and US Bank entered into a new credit agreement to retire the Note to Long Canyon, LLC, to fund capital projects, and to meet working capital requirements. The current credit agreement, as amended, is a syndicated facility led by US Bank as the agent bank, which provides a total revolving credit facility of $125 million. The lenders have a security interest in substantially all of the assets of the Company. Obligations are cross-collateralized between all of the Company s legal entities, parent and subsidiaries.

Capitalized interest and the weighted average interest rate were as follows for the periods presented in the financial statements:

	Capitalized Interest (In thousands)		Weighted Average Interest Rate
2008			
For the three months ended September 30, 2008	$		N/A
For the period from April 25, 2008 through September 30, 2008	$		N/A
For the period from January 1, 2008 through April 24, 2008	$	52	6.4%
2007			
For the three months ended September 30, 2007	$	36	6.4%
For the nine months ended September 30, 2007	$	74	6.7%

Note 10 ASSET RETIREMENT OBLIGATION

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

The Company s asset retirement obligation is based on the estimated cost to abandon the mining operations, the economic life of the properties, and federal and state regulatory requirements. The liability is discounted using credit-adjusted risk-free rate estimates at the time the liability is incurred or when there are revisions to estimated costs. The credit-adjusted risk-free rates used to discount the Company s abandonment liabilities range from 6.9 percent to 8.5 percent. Revisions to the liability occur due to changes in estimated abandonment costs or economic lives, or if federal or state regulators enact new requirements regarding the abandonment of mines.

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

	Intrepid Potash, Inc.		Intrepid Mining LLC (Predecessor)		
	Three Months ended September 30, 2008	April 25, 2008 through September 30, 2008	January 1, 2008 through April 24, 2008	Three Months ended September 30, 2007	Nine Months ended September 30, 2007
Asset retirement obligation beginning of period	$ 8,092	$ 7,977	$ 7,779	$ 7,490	$ 7,203
Changes in estimated obligations	446	446			(3)
Accretion of discount	185	300	198	144	434
Total asset retirement obligation end of period	$ 8,723	$ 8,723	$ 7,977	$ 7,634	$ 7,634

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Note 11 COMPENSATION PLANS

Cash Bonus Plan Intrepid and its predecessor have a cash bonus plan that allows participants to receive varying percentages of their aggregate base salary. Any awards under the cash bonus plan are based on a combination of Company and individual performance. Intrepid accrues cash bonus expense related to the current year s performance.

Included in the cost of goods sold and selling and administrative lines in the consolidated statements of operations is $1.6 million of cash bonus expense for the three months ended September 30, 2008; $3.2 million for the period from April 25, 2008 through September 30, 2008; $2.3 million for the period from January 1, 2008 through April 24, 2008; $0.6 million for the three months ended September 30, 2007; and $0.7 million for the nine months ended September 30, 2007.

Equity Incentive Compensation Plan Effective April 20, 2008, Intrepid adopted its long-term incentive compensation plan, the 2008 Equity Incentive Plan (the 2008 Plan), pursuant to which grants of restricted stock were awarded as of the closing of the IPO to executive officers, other than Messrs. Jornayvaz and Harvey, and to other key employees and consultants. The awards contain a service condition associated with employment or engagement with the Company at the time of vesting. There are no performance or market conditions associated with these awards. The value of the awards were communicated to award recipients and approved by the Board prior to the IPO, with the actual number of shares represented by the awards dependent upon the IPO price. The awards consist of three tranches of restricted stock grants. The first tranche of grants vest in full on January 5, 2009. These grants, which have been made to some, but not all, of Intrepid s named executive officers, long-term employees, and consultants, are designed to reward certain individuals for their historic service to Intrepid and for the successful completion of the IPO. The second tranche was an award to an officer that vests in varying amounts over the next four years. The third tranche of grants vests incrementally over approximately four years. These grants were designed to retain and provide an incentive to those receiving the awards to continue to execute the Company s long-term business plan. The measurement of fair value of the restricted stock awards for the initial grants was at the IPO price of $32.00 per share.

As of September 30, 2008, there were a total of 479,133 shares of restricted stock outstanding and approximately 4.5 million shares of common stock remained available for issuance under the 2008 Plan.

In measuring compensation expense from the grant of restricted stock, SFAS 123(R) requires companies to estimate the fair value of the award on the grant date. Compensation expense is recorded monthly over the vesting period of the award. Total compensation expense related to the restricted stock awards for the three month period ended September 30, 2008 and the period from April 25, 2008 through September 30, 2008 was $2.7 million and $4.5 million, respectively. As of September 30, 2008, there was $11.0 million of total unrecognized compensation expense related to non-vested restricted stock awards. The unrecognized compensation expense is being amortized through 2012.

A summary of the status and activity of non-vested restricted stock for the period from April 25, 2008 through September 30, 2008 is presented below.

	Shares	Weighted Average Grant-Date Fair Value
Non-vested restricted stock, at April 24, 2008		N/A
Granted	479,605	$ 32.39
Vested		N/A
Forfeited	(472)	$ 63.48
Non-vested restricted stock, at September 30, 2008	479,133	$ 32.36

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In addition to the grants of restricted stock, two non-management directors were issued a total of 3,124 shares of fully vested stock under the 2008 Plan in connection with their joining the Board at the time of the IPO. These shares are included in the balance of outstanding shares of common stock as of September 30, 2008.

Note 12 INCOME TAXES

The income tax provision for Intrepid and its predecessor is comprised of the following elements. The amounts related to Mining include the activity of Intrepid when it was a subsidiary of Mining. A summary of the provision for income taxes is as follows (in thousands):

	Intrepid Potash, Inc.		Intrepid Mining LLC (Predecessor)
	Three Months ended September 30, 2008	April 25, 2008 through September 30, 2008	January 1, 2008 through April 24, 2008
Current portion of income tax expense:			
Federal	$ 18,798	$ 24,823	$
State	3,605	4,922	
Deferred portion of income tax expense (benefit)	7,071	15,920	(4)
Total income tax expense (benefit)	$ 29,474	$ 45,665	$ (4)

A summary of the components of the net deferred tax assets as of September 30, 2008 is as follows (in thousands):

Current deferred tax assets (liabilities):	
Prepaid expenses	$ (2,615)
Accrued vacation	795
Unrealized gain (loss)	282
Stock-based compensation	1,817
Total current tax assets	279
Non-current deferred tax assets:	
Property, plant, equipment and mineral properties	337,668
Asset retirement obligation	3,246
Other	(5,986)
Total non-current deferred tax assets	334,928
Total deferred tax asset	$ 335,207

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Income tax expense for Intrepid differs from the amount that would be provided by applying the statutory U.S. federal income tax rate to income before income taxes. The difference is primarily due to the effect of state income taxes, the estimated effect of the domestic production activities deduction, and other permanent differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and any credit carry-forwards. A reconciliation of the statutory rate to the effective rate is as follows (in thousands):

	Intrepid Potash, Inc.		Intrepid Mining LLC (Predecessor)
	Three Months ended September 30, 2008	April 25, 2008 through September 30, 2008	January 1, 2008 through April 24, 2008
Federal taxes at statutory rate	$ 27,722	$ 42,406	$ (4)
Add:			
State taxes, net of federal benefit	3,022	4,915	
Domestic manufacturers deduction	(1,297)	(1,725)	
Other	27	69	
Net expense (benefit) as calculated	$ 29,474	$ 45,665	$ (4)