Intrepid Potash, Inc.
Form 10-K
February 29, 2016
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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, 2015
or
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-34025
INTREPID POTASH, INC.
(Exact Name of Registrant as Specified in its Charter)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
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.

Accelerated filer ¨ Smaller reporting company ¨

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

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes ¨ No x
The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on June 30, 2015, the last business day of the registrant’s most recently completed second fiscal quarter, of $11.94 per share as reported on the New York Stock Exchange was $672,345,889 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 February 22, 2016, the registrant had 76,152,841 shares of common stock, par value $0.001, outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
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 2016 annual meeting of stockholders to be filed within 120 days after December 31, 2015.

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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.

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 financial 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 understanding 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, which are described in Item 1A. Risk Factors 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.

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ITEM 1. BUSINESS

General

We are the only producer of muriate of potash ("potassium chloride" or "potash") in the United States and one of two producers of langbeinite ("sulfate of potash magnesia"), which we market and sell as Trio®. 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. Our principal offices are located at 707 17th Street, Suite 4200, Denver, Colorado 80202, and our telephone number is (303) 296-3006. Intrepid was incorporated in 2007.

Our Products and Markets

Our two primary products are potash and Trio®. Potash and Trio® sales as a percentage of net sales, which we calculate as gross sales less freight costs, were approximately as follows for the indicated periods.

	Year Ended December 31,		
	2015	2014	2013
Contribution to Net Sales			
Potash	77 %	83 %	86 %
Trio®	23 %	17 %	14 %

Potash

The majority of our revenues and gross margin are derived from the production and sales of potash.

We sell potash into three primary markets: 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 other industrial processes, and the animal feed market as a nutrient supplement. The agricultural market predominately uses granular-sized potash, while the industrial and animal feed markets mostly use standard- and fine standard-sized product. We have the flexibility to produce all of our product in a granular form decreasing our dependence on sales of any one particular size of potash. With this flexibility, we have expanded our geographical reach and more closely aligned our production with specific demand.

We manage sales and marketing operations centrally. We evaluate our customers' needs to determine which of our production facilities is best suited, typically based on geographic location, to fill sales orders with the objective of realizing the highest average net realized sales price per ton. We calculate average net realized sales price per ton by deducting freight costs from gross revenues and then by dividing this result by tons of product sold during the period. Since 2005, we have supplied, on average, approximately 1.5% of annual world potassium consumption and 9.1% of annual U.S. potassium consumption.

Many of our sales are geographically concentrated in the central and western United States. Fertilizer sales are affected by weather and planting conditions in these regions, as well as farmer economics. A significant portion of our industrial sales are derived from oil and gas customers and correlate to drilling rig counts in specific regions in the United States.

Trio®

Trio®, which we mine from langbeinite ore, is our specialty fertilizer that delivers potassium, sulfate and magnesium in a single particle and has the added benefit of being low in chloride. This unique combination of nutrients makes Trio® an attractive fertilizer across diverse crops and geographies. We produce Trio® in premium and granular sizes for sale into the U.S. market and in standard size mostly for sale into international markets. We currently produce Trio® in a joint process at our East facility. During the second half of 2015, we began transitioning our East facility to Trio®-only production. We expect this transition to be completed in mid-2016. We are one of two producers of langbeinite worldwide.

By-products

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.

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Facilities

We produce potash at three solution mining facilities and two conventional underground mining facilities. Our solution mining production comes from our HB mine near Carlsbad, New Mexico, a solution mine near Moab, Utah, and a brine recovery mine in Wendover, Utah. Our conventional production comes from our underground West and East mines near Carlsbad, New Mexico. We also operate the North compaction facility near Carlsbad, New Mexico, which compacts and granulates product from the West and HB mines. We have a current estimated annual designed productive capacity of approximately 1.0 million tons of potash, including approximately 600,000 tons from conventional underground mines, and 400,000 tons from solar evaporation solution mines. When we complete the transition of our East facility to a Trio®-only facility, which we expect to be completed in mid-2016, we expect that our annual potash productive capacity will decrease by 225,000 tons when potash is no longer produced at the East facility. We also had an estimated annual designed productive capacity for 200,000 tons of Trio® at the end of 2015. We are currently expanding this capacity as we transition East to Trio®-only production as noted above.

Our annual production rates for potash and Trio® are less than our estimated productive capacity. Actual production is affected by operating rates, the grade of ore mined, recoveries, mining rates, evaporation rates, product pricing, 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.

Industry Overview

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.

Long-term global fertilizer demand has been driven primarily by population growth and global economic conditions with annual demand variations based on planted acreage, agricultural commodity yields and prices, inventories of grains and oilseeds, application rates of fertilizer, weather patterns, and farm sector income. We expect these key variables to continue to have an impact on global fertilizer demand for the foreseeable future. Sustained per capita income growth and agricultural policies in the developing world also affect global 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. Volatility in agricultural commodity prices also may impact farmer fertilizer buying decisions. While industry experts continue to expect that potash consumption rates will increase as world population grows, significant additional capacity has been brought on line over the last few years by existing potash producers. There are a number of brownfield expansions that have been commissioned or that are under construction by the larger potash producers. The estimated worldwide annual capacity is now in excess of recent annual demand. While large producers have announced some curtailments to production, we expect that this supply surplus will continue for the foreseeable future. Additional greenfield projects are expected to begin ramping up in 2017 and will add additional supply to the market. This additional production could further disrupt the balance of supply and demand that has been managed by the larger, well-established producers in the past. Potash prices are at their lowest level since 2007. We expect continued price pressure in 2016 due to the combination of oversupply and lower international transportation costs. The strength of the U.S. dollar against other currencies and credit worthiness has also served to make the United States market more attractive to foreign competitors. Historically, the North American market has experienced a premium price compared to the rest of the world, but this premium eroded in 2015. Both of these trends are expected to continue in the near-term and will limit upside on potash pricing. There may be a protracted period of lower relative pricing while demand gradually absorbs the recent increases in potash supply.

Decreasing oil prices are also affecting the demand for potash in North America. Potash is used in drilling fluids as a means to reduce the risk of swelling in clays in the formation during drilling activities. North American rig counts have fallen 60% in the past twelve months and our sales into the industrial markets decreased significantly compared to last year.

Virtually all of the world's potash is currently extracted from approximately 19 commercial deposits. According to the International Fertilizer Industry Association and data published by potash mining companies, six countries accounted for approximately 89% of the world's aggregate potash production during 2014. During this time period, the top nine potash producers supplied approximately 95% of world production. The three major Canadian producers participate in the Canpotex

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marketing group that supplied approximately 31% of the global potash production in 2014, one producer in Russia supplied approximately 21% of global production and one producer in Belarus supplied approximately 12% of global potash production during 2014.

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 HB, Moab, and Wendover facilities. In conventional underground mines, shafts are sunk to the ore body and mining machines cut out the ore, which is lifted to the surface for processing. In solution mining, the potash is dissolved in brine and pumped to the surface where it crystallizes and is processed.

Competition and Competitive Strategy

We sell into commodity markets and compete based on delivered price, our ability to deliver product in a timely manner, and product quality. We also compete based on the durability, particle size, and potassium oxide content of our products.

We compete primarily with much larger potash producers, principally Canadian producers and, to a lesser extent, producers located in Russia, Belarus, Chile, Germany, and Israel.

Our competitive strategy is focused on the following:

- Maximizing margin. We are focused on maximizing the average net realized sales price that we earn on each ton of potash sold. We have the advantage of being located close to the markets we serve, and the North American market is much larger than our production capacity. We focus on marketing our products into sectors and geographies that provide the greatest margins. By fully participating in these markets at competitive prices, we aim to keep inventory moving through our plants, which can help to reduce per ton operating costs. We also attempt to maximize our average net realized sales price by leveraging our freight advantage to key geographies, our diverse customer and market base, and our flexible marketing approach.
- Expanding Trio® production and sales. We believe we can increase our margins and cash flow by expanding our Trio® production. Over the long term, we believe demand for Trio® will exceed supply, providing an opportunity to increase our cash flow margin. In light of this opportunity, we are in the process of transitioning our East facility to a Trio®-only facility and expect this transition to be completed in mid-2016.
- Expanding potash production from solution mining and solar evaporation. We have expansion opportunities at our solution operating facilities that, over time, are expected to increase potash production, reduce our overall per-ton cost, and increase our cash flow. Our per ton costs for solution mining are less than per ton costs at our conventional mines as solution facilities are less labor, energy, and equipment intensive as compared to our conventional mines. After transitioning our East facility to a Trio® -only facility, we will no longer produce potash at our most costly facility. As a result, we expect, our per ton cost of goods sold for potash will decrease after the transition. Additionally, in the future, as we continue to pursue expanding our production from our HB facility, we expect to further reduce our potash per ton cost of goods sold.
- Evaluating West operations. Given the current and expected potash pricing environment, we are performing a strategic review to determine the viability of this facility long term. Following the transition of East to a Trio® -only facility, West will be our only conventional potash mine and our highest cost production facility.

Competitive Strengths

- U.S. based potash-only producer. We are one of three publicly traded potash-only companies, and the only U.S. producer of potash. We are dedicated to the production and marketing of potash and Trio®. We are located in the heart of a market that consumes significantly more potash than we can produce on an annual basis. Our geographic location also provides us with a transportation advantage over our competitors for shipping our product to our customers.

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. We currently pay an average royalty rate of approximately 4.1% of our net sales, which compares favorably to that of our competitors in Canada. 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.

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- Solar evaporation operations. The HB 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 cost efficient production method because it significantly reduces our labor and energy consumption, which are two of the largest costs of production. Our understanding and application of low cost solution mining, combined with our reserves being located where a favorable climate for evaporation exists, make solar solution mining difficult for other producers to replicate. We also have significant reserves for future expansion of our solution mining operations.
- Assets located near our primary customer base. 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.
- Diversity of markets. We sell to three different markets for potash—the agricultural, industrial, and feed markets. The agricultural market supplies farmers producing a wide range of crops in different geographies. During 2015, these markets represented approximately 75%, 17%, and 8% of our potash sales, respectively.
- Marketing flexibility. We have the ability to convert all of our standard-sized potash product into granular-sized product as market conditions warrant. This also provides us with increased marketing flexibility as well as decreased dependence on any one particular market.
- 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. There continues to be a growing awareness of the agronomic value of this specialty product.
- Significant reserve life and water rights. Our potash and langbeinite reserves each have substantial years of reserve life, with remaining reserve life ranging from 30 to greater than 100 years, based on proven and probable reserve estimates. 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 operating facilities already have significant facilities and infrastructure in place. We also 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.

International Sales and Distribution

During 2015, approximately 9% of our Trio® tons were sold internationally, representing approximately 2% of our total net sales. During the years ended December 31, 2015, 2014, and 2013, approximately 97% of our net sales were in the United States, with the remaining sales into countries and regions such as Canada, Asia, Mexico and other countries in Latin America.

Major Customers

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 in different geographies. Servicing the industrial and feed markets provides us with a customer base that is unrelated to agricultural markets.

In each of 2015 and 2014, no customer accounted for more than 10% of our sales. In 2013, one of our distributor customers accounted for approximately 11% of our sales. 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 a decline in a specific customer's purchases would have a material adverse long-term effect upon our financial results.

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Environmental, Safety, and Health Matters

We are subject to an evolving set of federal, state, and local environmental, safety, and health laws that 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 and consult with professionals who monitor our compliance with these laws and who work with management to ensure that appropriate strategies and processes are in place to promote a culture that prioritizes safety and environmental responsibility.

In 2015, we had approximately $3.0 million of capital investments, and $0.2 million in other expenses, relating to environmental compliance, environmental studies, and remediation efforts. We expect to have an increased level of expenditures in 2016. However, future capital expenditures are subject to a number of uncertainties, including changes to environmental regulations and interpretations, and enforcement initiatives. 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 We expect that continued government and public emphasis on environmental issues will result in increased future investments for environmental controls at our operations.

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. In most cases, these product registrations impose specific requirements relating to guaranteed analysis, product labeling, and regular reporting of sales.

Some states require similar registration and reporting for feed grade products. Industrial-grade products typically do not require registration or 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 emissions to the atmosphere or water; 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. In many cases, environmental permits and approvals are also required for an expansion of, or changes to, our operations. As a condition to procuring the necessary permits and approvals, we may be 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, except as follows. In 2015, we received an inquiry from the New Mexico Office of State Engineer ("OSE") regarding whether certain of our tailings ponds and other impoundments qualify as jurisdictional dams. We are working with the OSE to resolve this issue, and we may be required to spend a significant amount of capital to bring these impoundments into compliance with requirements for jurisdictional dams or modify our operations to no longer use impoundments that may qualify as jurisdictional.

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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. 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 these notices, we promptly evaluate the matter and take any required corrective actions. In some cases, we may be required to pay civil penalties for these notices of violation.

Safety and Health Regulation and Programs. Our New Mexico and Utah facilities are subject to the Federal Mine Safety and Health Act of 1977, and/or 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 conventional underground mines and related surface facilities in New Mexico. As required by MSHA, these operations are regularly inspected by MSHA personnel. 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 two trained mine rescue teams, which are ready to respond to on-site incidents or assist in local incidents, if needed. The teams practice 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 mine and plant. Training and other certifications are 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.

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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, such as lead, that were introduced as reagents during historic processing methods 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, 2015, is approximately $23.0 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, 2015, is approximately $58.4 million.

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.

Royalties

The potash, langbeinite, and by-products we produce and sell from mineral leases are subject to royalty 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 2015, we paid $10.7 million, or an average of 4.1% of net sales, in royalties and other taxes. 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 2.5% to 3.5%.

Seasonality

The sales patterns of our agricultural products are generally seasonal. Using averages of the monthly sales data over the last three years, our monthly sales volumes are highest in January through April and September through October, which generally coincides with shipping product in advance of the spring and fall application seasons in the United States. Likewise, our monthly sales volumes are lowest in November and December. The month-to-month seasonality of our sales is somewhat moderated due to the variety of crops, industries, distribution strategies 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 observed fertilizer dealers in North America instituting 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. Further, through technological advances, the farmers in the United States have gained efficiencies in planting and harvesting their crops, which has compressed the application seasons.

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 January 29, 2016, we had 893 employees, the majority of which were full-time employees.

We have a collective bargaining agreement with a labor organization representing our hourly employees in Wendover, Utah, which expires on May 31, 2017. This is the sixth agreement negotiated between us and the United Steel, Paper and

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Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union 00867. We consider our relationships with our employees to be good.

Available Information

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

Conventional Underground Mine: A mine that uses a mechanical 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.

Designated Potash Area