Intrepid Potash, Inc.
Form S-1/A
April 07, 2008
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As filed with the Securities and Exchange Commission on April 7, 2008

Registration No. 333-148215

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

AMENDMENT NO. 3

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

INTREPID POTASH, INC.

(Exact name of registrant as specified in its charter)

Delaware	1400	26-1501877
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

700 17th Street, Suite 1700

Denver, CO 80202

(303) 296-3006

(Address, including zip code and telephone number, including area code, of registrant s principal executive offices)

Robert P. Jornayvaz III

Chairman of the Board and Chief Executive Officer

Intrepid Potash, Inc.

700 17th Street, Suite 1700

Denver, CO 80202

(303) 296-3006

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

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Denver, CO 80203	**Houston, TX 77002**
(303) 861-7000	**(713) 220-4200**

Approximate date of commencement of proposed sale to the public:

As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)(2)	Proposed Maximum Offering Price Per Share(3)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, par value $0.001 per share	27,600,000	$26.00	$717,600,000	$28,202(4)

(1) Estimated pursuant to Rule 457(a).
(2) Including shares of common stock which the underwriters have an option to purchase.
(3) Anticipated to be between $24.00 and $26.00 per share.
(4) Includes $3,070 previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated April 7, 2008

24,000,000 Shares

Intrepid Potash, Inc.

Common Stock

This is an initial public offering of shares of common stock of Intrepid Potash, Inc. The company is a corporation recently formed by Intrepid Mining LLC. All of the 24,000,000 shares of common stock are being sold by the company.

To the extent that the underwriters sell more than 24,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 3,600,000 shares from Intrepid Potash, Inc. at the initial public offering price less the underwriting discount. We intend to use the net proceeds we receive from any shares sold pursuant to the underwriters option to purchase additional shares to pay a dividend to the current members of Intrepid Mining LLC.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $24.00 and $26.00. Intrepid Potash, Inc. has applied to list the common stock on the New York Stock Exchange under the symbol IPI .

See Risk Factors on page 15 to read about factors you should consider before buying shares of the common stock.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Intrepid Potash, Inc.
Per Share	$	$	$
Total	$	$	$

The underwriters expect to deliver the shares against payment in New York, New York on , 2008.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Goldman, Sachs & Co. **Merrill Lynch & Co.** **Morgan Stanley**

RBC Capital Markets **BMO Capital Markets**

Prospectus dated , 2008

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Prospectus

Through and including , 2008 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

We own, or claim ownership rights to, a variety of trade names, service marks and trademarks for use in our business, including Intrepid Potash, Intrepid Potash (stylized logo) appearing on the cover page of this prospectus, in the U.S. and, where appropriate, in foreign countries. This prospectus also includes product names and other trade names and service marks owned by us and other companies. The trade names and service marks of other companies are the property of those other companies.

Market data and industry statistics used throughout this prospectus are based on independent industry publications and other publicly available information. Although we believe these third-party sources are reliable, you should not place undue reliance on this information.

Actual production, revenue and expenditures with respect to our reserves will likely vary from estimates, and these variations may be material. As a result, you should not place undue reliance on the muriate of potash and langbeinite reserve data included in this prospectus.

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PROSPECTUS SUMMARY

The following summary highlights selected information contained in other parts of this prospectus. The summary is qualified in its entirety by the information contained elsewhere in this prospectus. You should read the entire prospectus carefully, especially the matters discussed under Risk Factors and the financial statements and related notes included in this prospectus, before deciding to invest in our common stock. We include a glossary of some of the terms used in this prospectus as Appendix A.

References in this prospectus to Intrepid Potash , our , we or us are to Intrepid Potash, Inc. and its consolidated subsidiaries and include Intrepid Mining LLC unless the context otherwise requires. References to Intrepid Mining are to Intrepid Mining LLC. References to Intrepid Moab, Intrepid New Mexico and Intrepid Wendover are to Intrepid Potash Moab, LLC, Intrepid Potash New Mexico, LLC and Intrepid Potash Wendover, LLC, respectively, our principal operating subsidiaries. References to tons in this prospectus refer to short tons. One short ton equals 2,000 pounds. References to the current members of Intrepid Mining or the original stockholders are to Harvey Operating and Production Company, Intrepid Production Corporation, and Potash Acquisition, LLC, who, as of the date of this prospectus, collectively own 100% of the membership interests of Intrepid Mining. Unless otherwise indicated, references to potash in this prospectus refer to muriate of potash.

Intrepid Potash, Inc.

Overview

We are the largest producer of muriate of potash (MOP, or potassium chloride) in the U.S. and are dedicated to the production and marketing of potash and langbeinite (sulfate of potash magnesia), another mineral containing potassium. Potassium is one of the three primary nutrients essential to plant formation and growth. Since 2004, we have supplied, on average, 1.5% of world potash consumption and 8.5% of U.S. consumption annually, and we have supplied a considerably higher proportion of the potash consumed in the southwestern and western U.S., our core markets. We are one of two exporting producers in the world of langbeinite, a low-chloride fertilizer that is better suited than MOP for chloride-sensitive crops. We also produce salt, magnesium chloride and metal recovery salts from our potash mining processes. We own five active potash production facilities three in New Mexico and two in Utah and we have the nameplate capacity to produce 1,200,000 tons of potash and 250,000 tons of langbeinite annually. In 2007, we sold approximately 893,000 tons of potash and approximately 158,300 tons of langbeinite, an increase of 22% and 66%, respectively, over 2006. Our preliminary estimate of production for the first quarter of 2008 is 224,000 tons of potash and 56,000 tons of langbeinite as compared to 218,000 tons and 45,000 tons, respectively, in the first quarter of 2007.

We own two development assets in New Mexico the HB Mine, which is an idled potash mine that we are in the process of reopening as a solution mine, and the North Mine. Based on our five-year operating plan, we expect that expansion opportunities at our operating facilities and the HB Mine will increase production by an aggregate of over 370,000 tons of potash and langbeinite annually.

Our principal assets include:

- Two conventional, underground potash mines in Carlsbad, New Mexico the West Mine and the East Mine and the North Facility compaction plant. The West Mine has the nameplate capacity to produce 510,000 tons of potash annually. Potash from our West Mine is processed at our North Facility compaction plant. The East Mine produces two products, with the nameplate capacity to produce 390,000 tons of potash and 250,000 tons of langbeinite annually. The East Mine mill is a dual potash and langbeinite facility that uses a first-of-its-kind milling process.

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Two potash facilities in Utah the Moab Mine and the Wendover Facility. The Moab Mine uses solution mining methods to extract potash and has the nameplate capacity to produce 180,000 tons of potash annually. The Wendover Facility collects potash from natural brines and has the nameplate capacity to produce 120,000 tons of potash annually. Both of these facilities use low-cost solar evaporation to recover potash.

Two development assets in Carlsbad, New Mexico the HB Mine and the North Mine. The HB Mine is an idled potash mine that we are in the process of reopening as a solution mine. We expect to commence Phase I of the project in 2008, with production beginning in 2009. We believe Phase I, which consists of the flooding of 4,400 of the 21,600 total acres of the mine, has the potential to ultimately add up to 150,000 to 200,000 tons of additional low-cost potash production annually by 2011. The North Mine is another idled underground potash mine that we may choose to reopen in the future and that already has in place mine shafts and much of the transportation and utility infrastructure required for operation.

In 2007, we generated net sales of $192.4 million, EBITDA of $48.5 million and net income of $29.7 million at an average net potash sales price during the period of $194 per ton. We define net sales as gross sales less freight costs, which, in effect, results in all sales being stated net of delivery costs (FOB the mines). The long term trend of increasing potash prices has accelerated recently. For example, our posted price for red granular potash in Carlsbad, New Mexico has increased 132% from $217 per ton on September 30, 2007 to $503 per ton as of April 1, 2008. Actual prices realized in the market vary due to the timing and receipt of orders, among other factors.

During 2007, we sold approximately 96% of our potash and langbeinite volumes in North America, with the remainder being sold outside North America on our behalf by Potash Corporation of Saskatchewan Inc., or PCS. The agricultural market represented approximately 64% of our potash sales in 2007, with sales to industrial and feed markets accounting for 30% and 6% of our potash sales, respectively.

Company History

Intrepid Mining was formed in January 2000 for the purpose of acquiring the Moab Mine from PCS. The Moab Mine was a solution mine which had experienced sustained declining production. Our management team stabilized production volumes at nearly twice the pre-acquisition level by applying horizontal drilling technology that is commonly used in the oil and gas industry but had never before been used to mine potash.

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

Intrepid Potash was formed as a Delaware corporation on November 19, 2007, and, in connection with the completion of this offering, will receive a transfer of all of the nonmonetary assets of Intrepid Mining and will assume (i) all amounts in excess of $18.9 million of Intrepid Mining s liability under its existing senior credit facility and (ii) all other liabilities and obligations of Intrepid Mining, as described in the exchange agreement discussed under The Formation Transactions beginning on page 67. Intrepid Mining will repay the $18.9 million that is not assumed by Intrepid Potash from the cash proceeds received from Intrepid Potash pursuant to the terms of the exchange agreement.

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Members of our senior management team currently own 80% of Intrepid Mining. After this offering, our senior management team and board of directors will own 67.9% of our common stock (63.1% if the underwriters option to purchase additional shares is exercised in full).

Industry Overview

Fertilizers serve a fundamental role in global agriculture by providing vital 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 (potash), and there are no known substitutes for these nutrients. A proper balance of each of the three nutrients is necessary to maximize their effectiveness. Potash helps regulate plants physiological functions and improves plant durability, providing crops with protection from drought, disease, parasites and cold weather. Unlike nitrogen and phosphate, potash does not require additional chemical conversion to be used as a plant nutrient.

Fertecon Limited, a fertilizer industry consultant, expects global potash consumption to grow 3.5% annually from 2007 to 2011. This growth is driven primarily by strong global demand for agricultural commodities, which in turn is driven by the demand for food and alternative energy sources. As populations grow, more food is required from decreasing arable land per capita, which requires higher crop yields and, therefore, more plant nutrients. As incomes grow in the developing world, people consume more animal protein, which requires large amounts of grain for feed. In addition, high oil prices and associated energy concerns have recently placed a renewed emphasis on ethanol and bio-diesel production, which currently rely on agricultural products as feedstocks.

Potash is mined either from conventional underground mines or, less frequently, from surface or sub-surface brines. According to the International Fertilizer Industry Association, or IFA, six countries accounted for approximately 87% of the world s aggregate potash production in 2007. During this time period, the top seven potash producers controlled approximately 83% of world production. Five of the top ten producers are further concentrated into two marketing groups, which together controlled approximately 57% of global potash production in 2007.

Virtually all of the world s potash is currently extracted from twenty commercial deposits, and the most recently constructed operating mine in the world was opened in 1987. Barriers to adding new potash production are significant because economically recoverable potash deposits are scarce, deep in the earth and geographically concentrated. A further challenge is that the majority of unexploited mineralized deposits of potash existing outside the Canadian province of Saskatchewan are located in remote and/or politically unstable regions such as the Congo, Thailand and Argentina.

In recent years, consistent growth in global demand coupled with limited increases in global supply have led to significant increases in producer operating rates for potash. We believe the global potash industry has operated at or near the highest achievable production rates during 2007 and 2008 to date. As a result of increasing demand and tight supply, potash prices have increased rapidly.

	Three Months Ended March 31,		Year Ended December 31,				
	2008	**2007**	**2007**	**2006**	**2005**	**2004**	**2003**
Average Midwestern U.S. delivered list prices for granular MOP (per ton)(1)	$ 502	$ 214	$ 257	$ 205	$ 210	$ 159	$ 121

(1) Average delivery list prices include delivery to the list price location. Source: Green Markets Fertilizer Market Intelligence Weekly.

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Our Competitive Strengths

U.S. potash-only producer. We are the largest producer of potash in the U.S., the second largest potash-consuming country in the world. We are dedicated to the production and marketing of potash and langbeinite, whereas nearly all of our competitors are meaningfully diversified, primarily into other fertilizer and chemical businesses. As a dedicated potash producer, we believe our financial performance is subject to less volatility than that of other fertilizer companies. Historically, potash prices have been subject to less volatility than prices for other fertilizers and commodity chemicals. In addition, the costs to mine and produce potash are relatively fixed and stable, whereas the costs to produce other fertilizers have significantly greater exposure to volatile raw material costs, such as natural gas used to produce nitrogen and phosphate products.

After the completion of this offering, we will be one of two publicly-traded potash-only companies producing today, the other being Uralkali, a Russian producer.

Additionally, as a U.S. producer, we enjoy a significantly lower total tax and royalty burden than our principal competitors, which operate primarily in Saskatchewan, Canada. For example, we currently pay an average royalty rate of approximately 3.7% of our revenue, which compares favorably to our competitors in Canada.

Assets located near our primary customer base. Our mines are advantageously located near our largest customers. We believe that our location allows us to realize higher net sales prices than our competitors, who must ship their products across longer distances to consuming markets, which are often export markets. According to state potassium fertilizer sales data collected by the Association of American Plant Food Control Officials, Inc. and our sales data, annual consumption of potassium products in our markets is greater than five times our current annual production. This allows us to target sales to the markets in which we have the greatest transportation advantage, maximizing our net sales per ton. Our access to strategic rail destination points and our location along major agricultural trucking routes support this advantage. In addition, our location in an oil and gas producing region allows us to serve industrial customers, the majority of whom we reach by truck. Our geographic advantage is difficult for competitors to erode, particularly in an environment of historically high and rising transportation costs.

The chart below sets forth what we believe to be our average net sales per ton advantage, which results primarily from our freight cost advantage, over our primary Canadian competitors per product ton of potassium chloride for each of 2007, 2006 and 2005.

	2007	2006	2005
Intrepid Potash net sales per ton advantage[(1)]	$ 39	$ 43	$ 29

(1) Based on net sales per ton for Agrium, Mosaic and PCS for muriate of potash only. Mosaic s MOP revenues were calculated by subtracting langbeinite-only revenues, assuming $115 net sales per ton for langbeinite (K-Mag®).

Diversification into niche markets. We sell to three different markets for potash the agricultural, industrial and feed markets. During 2007, these markets represented approximately 64%, 30% and 6% of our potash sales, respectively. According to the IFA, 95% of all potash produced is used as a fertilizer. As a result, we believe our sales are diversified across more distinct, unrelated consumer markets than those of many of our competitors, adding stability to our potash revenues. A primary component of the industrial markets we serve is the oil and natural gas services industry, where potash is commonly used in drilling and fracturing oil and natural gas wells. According to SRI Consulting, U.S. industrial

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consumption of potash is growing rapidly relative to the agricultural market, with a compound annual growth rate of 5.1% from 1990 to 2005.

We are one of two exporting producers of langbeinite in the world. Both producing facilities are located in Carlsbad, New Mexico. Given the greater scarcity of langbeinite relative to potash and its agronomic suitability for certain soils and crops, there is demand for our langbeinite production outside of our core potash markets. PCS markets our langbeinite production outside North America. This relationship gives us access to PCS extensive international sales network and informs us about developments in the international market. During 2007, we sold approximately 158,300 tons of langbeinite, representing 15.0% of our total product tons sold during this period.

Significant reserve life and water rights. Our potash and langbeinite reserves each have substantial life, with remaining reserve life ranging from 28 to 124 years, based on proven and probable reserves estimated in accordance with Securities and Exchange Commission, or SEC, requirements. This lasting reserve base is the result of our past acquisition and development strategy. In addition to our reserves, we have access to significant mineralized deposits for potential future exploitation and valuable water rights.

Valuable existing facilities and infrastructure. Constructing a new potash production facility requires extensive capital investment in mining, milling and infrastructure, which is expensive and requires substantial time to complete. Our five operating facilities and the HB Mine already have significant facilities and infrastructure in place. We have the ability to expand our business using existing installed infrastructure, in less time and with lower expenditures than would be required to construct entirely new mines.

Track record of innovation and modernization. Our management team has a history of building successful operations through the acquisition of underutilized assets, followed by creative use of technology to increase productivity and reliability. As an entrepreneurial, potash-only producer, we have devoted considerable management attention to each facility, with a focus on modernization and improving production. We have applied technologies from other industries, including the oil and gas industry, and implemented innovative production processes. From inception to December 31, 2007, we have spent approximately $80 million on capital expenditures at our facilities. We believe these investments have enhanced the reliability and productivity of our operations.

Low-cost solar evaporation operations. The Moab Mine and the Wendover Facility, both located in the Utah desert, use solar evaporation to crystallize potash from brines. Solar evaporation is a low-cost and energy-efficient method of producing potash. Our understanding and application of solution mining, combined with our location in regions with favorable climates for evaporation, allow our Utah facilities to enjoy low production costs. We plan to develop the HB Mine using the same solar evaporation and solution mining technology we use at our Moab Mine.

Our Business Strategy

Expand potash production from existing facilities. We have expansion opportunities at our operating facilities that we expect will significantly increase production, drive down our unit cost per ton and increase our cash flow. Because of our market share, we believe increases in our production have limited effect on international potash prices, allowing us to enjoy expanding margins on incremental production through full price realization and decreasing production costs per ton. Based on our five-year operating plan, we estimate that these

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opportunities will increase annual potash production by an expected aggregate of over 110,000 tons.

Reopen the HB Mine as a solution mine. The HB Mine, located in Carlsbad, New Mexico, was formerly operated as a conventional underground mine and was idled in 1996 by its previous owner. We are in the process of reopening the HB Mine as a solution mine, using the same solar evaporation and solution mining technology we currently use at our Moab Mine. We believe the HB Mine is especially suitable for solution mining due to the easily accessible mineral resource and our ability to rely in part on existing equipment and personnel to process potash. We expect production from the HB Mine to begin in 2009 and believe Phase I of the project has the potential to ultimately add up to 150,000 to 200,000 tons of additional potash production annually by 2011. We expect the potash produced from the mine to be our lowest-cost product on a per-ton basis.

Expand langbeinite production and demand. We are one of two exporting producers of langbeinite. We mine langbeinite in Carlsbad, New Mexico from the only known reserves of langbeinite in the world. In order to better capitalize on the strong and growing demand for langbeinite, we have initiated two projects that we expect will allow us to increase our annual langbeinite production by an aggregate of approximately 90,000 tons over the next three to four years and lower our production costs per ton.

Increase our profitability. We will continue to seek to increase our profitability both by targeting sales to our most profitable markets and reducing per ton operating costs. We plan to execute on additional opportunities to further reduce our fixed and variable operating expenses and pursue various projects designed to increase the reliability of our mining facilities and minimize production downtime.

Summary of Risk Factors

An investment in our common stock involves risks associated with our business, this offering and our corporate structure. The following list of principal risk factors is not exhaustive. Please carefully read the more detailed discussion of these and other risks under Risk Factors .

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

Mining is a complex and hazardous process which frequently experiences production disruptions, and the nature of our operations may make us more vulnerable to such disruptions than our competitors.

New product supply can create structural market imbalances, which could negatively affect our operating results and financial performance.

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

Any decline in U.S. agricultural production or limitations on the use of our products for agricultural purposes could materially adversely affect the market for our products.

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

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

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Formation Transactions and Organizational Structure

General

Intrepid Potash is a Delaware corporation that was formed on November 19, 2007 and is a wholly-owned subsidiary of Intrepid Mining. In connection with this offering, we will enter into the following transactions, which we refer to in this prospectus as the formation transactions .

At or before the completion of this offering, Intrepid Potash and Intrepid Mining will enter into an exchange agreement, which will provide for the assignment of all of Intrepid Mining s assets other than cash to Intrepid Potash in exchange for:

- cash in an amount of approximately $419.8 million (approximately 75.0% of the net proceeds from this offering);
- 47,239,000 shares of common stock of Intrepid Potash; and
- the assumption by Intrepid Potash of (i) $82.5 million (based on outstanding amounts as of December 31, 2007) of Intrepid Mining s liability under its existing senior credit facility and (ii) all other liabilities and obligations of Intrepid Mining, as described in the exchange agreement discussed under The Formation Transactions beginning on page 67.

The transactions provided for in the exchange agreement and this offering will be consummated simultaneously.

As a part of the formation transactions, we will declare a dividend with respect to our common stock currently issued and outstanding, which we refer to in this prospectus as the formation distribution . The formation distribution will be paid in 3,600,000 shares of our common stock; provided, however, that for each share of our common stock purchased by the underwriters pursuant to their option to purchase additional shares, the number of shares payable pursuant to the formation distribution will be reduced, one-for-one, and in lieu of such shares, we will pay cash in an amount equal to the net proceeds, after underwriting discounts and commissions, we receive from the exercise of the underwriters option to purchase additional shares. The formation distribution will be payable to Intrepid Mining, the holder of record of the common stock prior to this offering, upon the earlier of the expiration or the exercise of the option to purchase additional shares.

After the completion of this offering, Intrepid Mining will liquidate and distribute its remaining assets, including the cash and common stock received pursuant to the exchange agreement and the right to receive the formation distribution described above, to the current members of Intrepid Mining.

Organizational Structure After the Formation Transactions

Once this offering and the related formation transactions are completed, assuming the underwriters do not exercise any portion of their option to purchase additional shares, the common stock of Intrepid Potash will be held as follows:

- 32.1% by public stockholders;
- 27.2% by Harvey Operating and Production Company, a Colorado corporation, which we refer to as HOPCO, wholly-owned by Hugh E. Harvey, Jr., our Executive Vice President of Technology and one of our directors;

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27.2% by Intrepid Production Corporation, a Colorado corporation, which we refer to as IPC, wholly-owned by Robert P. Jornayvaz III, our Chairman of the Board and Chief Executive Officer; and

13.5% by Potash Acquisition, LLC, a Delaware limited liability company, which we refer to as PAL, the largest beneficial owner of which is Platte River Ventures I, L.P., a Delaware limited partnership. One of our directors, J. Landis Martin, is the managing member of Platte River Ventures I, L.P. s general partner, PRV Investors I, LLC, a Delaware limited liability company.

Principal Executive Offices and Internet Address

Our principal executive offices are located at 700 17th Street, Suite 1700, Denver, Colorado 80202 and our telephone number is (303) 296-3006. Our website is located at *www.intrepidpotash.com*. We expect to make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

The Offering

Common stock offered by us	24,000,000 shares.
Common stock outstanding after this offering	74,846,000 shares (including 1,000 shares outstanding before the offering, stock grants totaling 6,000 shares to our non-employee directors (estimated using the midpoint of the price range set forth on the cover page of this prospectus) and 3,600,000 shares that will be sold to the underwriters pursuant to the exercise of their option to purchase additional shares or, to the extent the option to purchase additional shares is not exercised, distributed to the current members of Intrepid Mining pursuant to the formation distribution).(1)
Option to purchase additional shares	We have granted the underwriters a 30-day option to purchase up to 3,600,000 additional shares of our common stock at the initial public offering price less underwriting discounts and commissions. The option may be exercised only to cover options to purchase additional shares of common stock. To the extent that the underwriters exercise their option to purchase additional shares, all of the net proceeds we receive from the exercise of the option to purchase additional shares will be used to pay the formation distribution to Intrepid Mining. Any amount of the formation distribution that is not paid in cash will be paid to Intrepid Mining in shares of our common stock.

(1) Excludes 607,500 shares of unvested restricted stock that will be granted by Intrepid Potash on or around the completion of this offering.

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Use of proceeds	We expect to receive net proceeds of approximately $559.8 million from this offering, assuming an offering price of $25.00 per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We expect to apply the net proceeds from this offering as follows:

- approximately $419.8 million (approximately 75.0% of the net proceeds from this offering) will be paid to Intrepid Mining (together with 47,239,000 shares of our common stock) in exchange for all of Intrepid Mining s assets other than cash;
- based on outstanding amounts as of December 31, 2007, approximately $82.5 million (approximately 14.7% of the net proceeds from this offering) will be used by us for repayment of debt assumed from Intrepid Mining pursuant to the exchange agreement, leaving us with no outstanding debt. We will assume (i) all amounts in excess of $18.9 million of Intrepid Mining s liability under its existing senior credit facility and (ii) all other liabilities and obligations of Intrepid Mining, as described in the exchange agreement discussed under The Formation Transactions beginning on page 67; and
- the remainder of the net proceeds, $59.2 million of cash in the December 31, 2007 pro forma combined as adjusted balance sheet, will be used to fund production expansions and other growth opportunities and for general corporate purposes. (The $59.2 million is adjusted for $1.7 million of transaction fees paid in 2007.)

After the completion of this offering, Intrepid Mining will liquidate and distribute its remaining assets, including the cash and common stock received pursuant to the exchange agreement and the right to receive the formation distribution, to the current members of Intrepid Mining.

A $1.00 increase (decrease) in the assumed initial public offering price per share would increase (decrease) net proceeds to us from this offering by approximately $22.6 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and would increase (decrease) the amount of net proceeds payable to Intrepid Mining pursuant to the exchange agreement by an equal amount. Assuming that the underwriters exercise their option to purchase additional shares in full, a $1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) net proceeds to us from the exercise of the option to purchase additional shares by approximately

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	\$3.4 million and would increase (decrease) the cash payable to Intrepid Mining pursuant to the formation distribution by an equal amount.
Voting rights	One vote per share.
Exchange listing	We have applied to list our common stock on the New York Stock Exchange, or NYSE, under the symbol IPI .
Risk factors	See Risk Factors beginning on page 15 and other information included in this prospectus for a discussion of factors you should carefully consider before deciding whether to invest in our common stock.

The number of shares of common stock to be outstanding after this offering is 74,846,000. Except as otherwise indicated or required by context, all information in this prospectus:

- excludes 607,500 shares of unvested restricted stock that will be granted by Intrepid Potash on or around the completion of this offering;
- assumes that the underwriters will not exercise any portion of their option to purchase additional shares (and, therefore, that 3,600,000 shares will be distributed to the current members of Intrepid Mining pursuant to the formation distribution); and
- assumes that the initial offering price is \$25.00 per share, the midpoint of the range set forth on the cover page of this prospectus.

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Summary Historical and Pro Forma Combined as Adjusted Financial and Operating Data

The following tables show summary historical financial and operating data of Intrepid Mining and pro forma combined as adjusted financial and operating data of Intrepid Mining and Intrepid Potash for the periods and as of the dates indicated. The historical financial statements included in this prospectus reflect the results of operations of Intrepid Mining. The summary historical financial data as of December 31, 2007 and 2006 and for the years ended December 31, 2007, 2006 and 2005 are derived from Intrepid Mining s audited financial statements and related notes included elsewhere in this prospectus. The summary pro forma combined as adjusted financial data for the year ended December 31, 2007 are derived from the unaudited pro forma combined financial statements of Intrepid Mining and Intrepid Potash included elsewhere in this prospectus. The pro forma adjustments have been prepared as if certain transactions to be effected upon completion of this offering had taken place on December 31, 2007, in the case of the pro forma combined as adjusted balance sheet; and as of January 1, 2007, in the case of the pro forma combined as adjusted statements of operations for the year ended December 31, 2007. The transactions reflected in the pro forma adjustments assume that Intrepid Potash will complete its initial public offering of common stock, receive a transfer of all of the nonmonetary assets of Intrepid Mining, and assume (i) all amounts in excess of $18.9 million of Intrepid Mining s liability under its existing senior credit facility and (ii) all other liabilities and obligations of Intrepid Mining in exchange for stock and cash, as described in the exchange agreement discussed under The Formation Transactions . The pro forma combined as adjusted financial information should not be relied upon as being indicative of Intrepid Potash or Intrepid Mining s results of operations or financial condition had the transactions been completed on January 1, 2007, with respect to the pro forma combined as adjusted statements of operations, or as of December 31, 2007, with respect to the pro forma combined as adjusted balance sheet.

The summary historical and pro forma combined as adjusted financial and operating data should be read in conjunction with the information contained in Selected Historical and Pro Forma Combined as Adjusted Financial and Operating Data , Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes of Intrepid Mining and Intrepid Potash included elsewhere in this prospectus.

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	Pro Forma Combined As Adjusted December 31, 2007 (unaudited)	Year Ended December 31, 2007	2006	2005
	(in thousands, except share and per share data)			
Statement of Operations Data:				
Sales	$ 213,459	$ 213,459	$ 152,709	$ 151,280
Less:				
Freight costs	21,095	21,095	12,178	9,519
Warehousing and handling costs	5,479	5,479	3,879	2,759
Cost of goods sold	134,387	134,387	110,995	97,103
Gross margin	52,498	52,498	25,657	41,899
Selling and administrative	24,155	15,997	10,054	7,530
Other operating net	190	190	(4,386)	329
Operating income	28,153	36,311	19,989	34,040
Interest expense net	170	9,350	2,907	1,473
Other non-operating	(2,723)	(2,723)	(7,016)	(47)
Income from continuing operations	30,706	$ 29,684	$ 24,098	$ 32,614
Pro forma income tax(1)	12,129			
Pro forma income from continuing operations	$ 18,577			
Pro Forma Share and Per Share Data (unaudited)(2):				
Pro forma net income per share:				
Basic	$ 0.25			
Diluted	$ 0.25			
Pro forma weighted average shares outstanding:				
Basic	74,922,000			
Diluted	75,453,500			

	Pro Forma Combined As Adjusted December 31, 2007 (unaudited)	Year Ended December 31, 2007	2006	2005
	(in thousands)			
Other Financial Data:				
EBITDA(3)	$ 40,280	$ 48,502	$ 35,033	$ 39,580
Depreciation, depletion, amortization and accretion	9,404	9,468	8,028	5,493
Capital expenditures	(31,168)	(31,168)	(12,391)	(21,733)

(footnotes on page 14)

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	Pro Forma Combined As Adjusted December 31, 2007 (unaudited)	Year Ended December 31, 2007	2006	2005
Selected Operating Data:				
Sales volume (in thousands of tons):				
Potash	893	893	729	869
Langbeinite	158	158	95	6
Gross sales (in thousands)				
U.S.	$ 199,017	$ 199,017	$ 143,544	$ 148,646
International	14,442	14,442	9,165	2,634
Total	213,459	213,459	152,709	151,280
Freight costs (in thousands)				
U.S.	18,426	18,426	10,489	8,505
International	2,669	2,669	1,689	1,014
Total	21,095	21,095	12,178	9,519
Net sales[(4)] (in thousands)				
U.S.	180,591	180,591	133,055	140,141
International	11,773	11,773	7,476	1,620
Total	192,364	192,364	140,531	141,761
Average net selling prices (per ton):				
Potash	$ 194	$ 194	$ 179	$ 162
Langbeinite	119	119	107	111
Warehousing and handling cost (per ton):				
Potash	5	5	5	3
Langbeinite	5	5	5	3
Potash cost of goods sold (per ton):				
Cost of production less inventory adjustments (exclusive of items shown separately below)	130	130	136	109
Depreciation, depletion and amortization	7	7	8	5
Royalties	7	7	6	3
By-product revenues[(5)]	(9)	(9)	(9)	(7)
Total potash cost of goods sold	135	135	141	110
Average potash gross margin (per ton):	$ 54	$ 54	$ 33	$ 49
Langbeinite cost of goods sold (per ton)	$ 87	$ 87	$ 88	$ 201
Average langbeinite gross margin (loss) (per ton)	$ 27	$ 27	$ 14	$ (93)

	Pro Forma Combined As Adjusted	As of December 31, 2007	2006	2005

	December 31, 2007 (unaudited)			
		(in thousands)		
Selected Balance Sheet Data:				
Cash and cash equivalents	$ 59,215	$ 1,960	$ 286	$ 157
Total current assets	102,981	47,447	50,853	29,124
Total assets	385,907	146,727	129,314	106,506
Total current liabilities	25,316	30,315	24,112	19,061
Total debt	5	101,355	132,189	37,156
Stockholders equity (deficit)	350,927	10,397	(31,458)	42,485

(footnotes on following page)

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(1) A pro forma provision for income taxes at statutory rates has been made in the pro forma financial statements on the assumption that Intrepid Mining was a taxable entity for the respective period presented. As a limited liability company, Intrepid Mining s taxable income was included in its members income tax returns whereas Intrepid Potash will be subject to income tax as a corporation.

(2) Pro forma net income per share is based on the weighted average number of shares of common stock outstanding after giving effect to the offering, assuming that the offering had occurred as of the beginning of the earliest period presented. Basic shares include the estimated 74,846,000 shares that will be outstanding at the initial public offering, plus the 76,000 weighted average shares that relate to stock awards with a vesting period of less than one year. The adjustment for diluted shares includes the impact of the number of the remaining nonvested shares that are expected to be awarded upon the completion of the initial public offering. The diluted weighted average shares total 75,453,500 shares.

(3) We define EBITDA as income from continuing operations before interest, income taxes, depreciation, depletion, amortization and accretion. EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements to assess:

the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;

our operating performance and return on capital as compared to other companies in the fertilizer business, without regard to financing or capital structure; and

the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

The economic substance behind management s use of EBITDA is to measure the ability of our assets to generate cash sufficient to be utilized for capital investment, pay interest costs, support our indebtedness and pay dividends, if any, to our investors.

The GAAP measure most directly comparable to EBITDA is income from continuing operations. Our non-GAAP financial measure of EBITDA should not be considered as an alternative to GAAP income from continuing operations. EBITDA is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because EBITDA excludes some, but not all, items that affect income from continuing operations and is defined differently by different companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies.

Management compensates for the limitations of EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating this information into management s decision-making processes.

EBITDA is calculated and reconciled to income from continuing operations in the table below:

	Pro Forma Combined As Adjusted December 31, 2007 (unaudited)	Year Ended December 31, 2007	2006	2005
		(in thousands)		
Calculation of EBITDA:				
Income from continuing operations	$ 18,577	$ 29,684	$ 24,098	$ 32,614
Income tax provision	12,129			
Interest net	170	9,350	2,907	1,473
Depreciation, depletion, amortization and accretion	9,404	9,468	8,028	5,493
EBITDA	$ 40,280	$ 48,502	$ 35,033	$ 39,580

(4) We define net sales as gross sales less freight, which in effect results in all sales being stated net of delivery costs (FOB the mines).

(5) When by-product inventories are sold, a by-product credit to the cost of goods sold is recognized.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors together with all of the other information included in this prospectus in evaluating an investment in our common stock. If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

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

Historically, the market for potash has been cyclical, and the prices and demand for potash have fluctuated. Periods of high demand, increasing profits and high capacity utilization tend to lead to new plant investment and increased production. This growth continues until the market is over-saturated, leading to decreased prices and capacity utilization until the cycle repeats. Furthermore, potash producers have, at various times, suspended production in response to delayed purchasing decisions by potash customers in anticipation of lower prices. For example, in 2006, protracted negotiations between China and international producers delayed purchases of potash by the Chinese, which led to a build-up of inventory in North America. In response, suppliers slowed production of potash, notably in Canada and Russia, until the conclusion of negotiations with the Chinese. As a result, the price of potash has been volatile. This volume and price volatility may reduce profit margins and negatively affect our operating results. We sell the majority of our potash into the spot market in the U.S. and have no long-term or material short-term contracts for the sale of potash. In addition, there is no active hedge market for potash as compared to the gold market, for example. As a result, we do not have and cannot obtain protection from this volume and price volatility.

Mining is a complex and hazardous process which frequently experiences production disruptions, and the nature of our operations may make us more vulnerable to such disruptions than our competitors.

The process of mining is complex and equipment- and labor-intensive, and involves risks and hazards including environmental hazards, industrial accidents, labor disputes, unusual or unexpected geological conditions or acts of nature. Production delays can occur due to equipment failures, unforeseen mining problems and other unexpected events. For example, in December 2007, an outage at one of our power provider s transformers caused three days of lost production at our West Mine. In addition, we must transport mined product for long distances to remove it from the mines for processing, which creates a higher probability of accidents. Our facilities and equipment are older than the average North American potash mine and may require more maintenance or be more likely to fail than newer facilities or equipment. Our shafts at our West Mine were constructed in 1931 and require frequent maintenance due to water inflow, wooden structure and salt buildup and are located in an area of known subsidence. Additionally, langbeinite ore is harder and more abrasive than muriate of potash ore and has caused greater wear on our mining and milling equipment at our East Mine, which has increased and may continue to increase the expense and frequency of maintenance and repairs. Operational difficulties can also arise from our milling processes; for example, our East Mine mill experiences build-ups of glaserite, an undesirable by-product of langbeinite production, and we must remove this build-up. The amounts that we are required to spend on maintenance and repairs may be significant and higher than expected, and we may have to divert resources from our planned capital expenditures focused on growth, such as increases in nameplate and effective capacity, for use on capital expenditures to maintain existing effective capacity. Production delays or stoppages will adversely affect our sales and operating results, and higher than expected maintenance and repair expenses may adversely affect our operating results.

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New product supply can create structural market imbalances, which could negatively affect our operating results and financial performance.

Potash is a commodity, and the market for potash is highly competitive and affected by global supply and demand. With recent favorable prices for potash products, producers have been, and will likely continue to be, engaged in expansion and development projects to increase production. Many of these projects to increase potash production are speculative. However, if potash production is increased beyond potash demand, the price at which we sell our potash and our sales volume would likely fall, which would materially adversely affect our operating results and financial condition.

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

Our potash production is affected by the ore grade, or potassium content of the ore. Our projections of ore grade may vary from time to time, and the amount of potash that we actually produce may vary substantially from our projections. There are numerous uncertainties inherent in estimating ore grade, including many factors beyond our control. Potash ore bodies have complex geology. The occurrence of large, unknown salt deposits, known as salt horsts, in core ore areas located in Carlsbad, New Mexico or Moab, Utah would adversely affect ore grades. An unexpected reduction in the grade of our ore reserves would decrease our potash production because we would need to process more ore to produce the same amount of saleable-grade product. As a result, our expected future cash flows would be materially adversely affected.

Our reserve estimates depend on many assumptions that may be inaccurate, which could materially adversely affect the quantities and value of our reserves.

Our reserve estimates may vary substantially from the actual amounts of muriate of potash and langbeinite we may be able to economically recover from our reserves. There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Estimates of muriate of potash and langbeinite reserves necessarily depend upon a number of variables and assumptions, any one of which, if incorrect, may result in an estimate that varies considerably from actual results. These factors and assumptions relate to:

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

Because reserves are only estimates, they cannot be audited for the purpose of verifying exactness. Instead, reserve information is reviewed by a reserve engineer in sufficient detail to determine if, in the aggregate, the data provided by us are reasonable and sufficient to estimate reserves in conformity with practices and standards generally employed by and within the mining industry and in accordance with SEC requirements.

Our business depends upon skilled and experienced personnel, and employee turnover may have a material adverse effect on our development and operating results.

The success of our business depends upon our ability to attract and retain skilled managers and other personnel. We compete for experienced laborers with other industries, including a copper mine in Moab, Utah, a nuclear waste management facility in southeast New Mexico, and oil fields and other

potash facilities in Carlsbad, New Mexico. A new uranium enrichment facility in Eunice, New Mexico has just begun construction. Employee turnover in Carlsbad has generally been high, and the continued expansion of nuclear facilities in Carlsbad threatens to increase competition for qualified workers. If we are not able to attract and retain the personnel necessary for the development of our business, we may have to raise wages to keep employees or hire less qualified workers, either of which would ultimately result in higher labor costs per ton of potash produced.

Prices of natural gas and other important raw materials and energy used in our businesses are volatile. Changes in the prices of raw materials or energy or disruptions to supply could adversely impact our business and our sales.

Natural gas, electricity, steel, water, chemicals and fuel (diesel and gasoline) are key raw materials used in our production of potash products. Natural gas is a significant energy source used in the solution mining process at the Moab Mine and at the East Mine processing plant. Our sales and profitability from time to time have been and may in the future be impacted by the price and availability of these raw materials and other energy costs. Currently, we have no derivative contracts in place for 2008 with respect to natural gas or other raw materials, although we will continue to evaluate the possibility of entering into such arrangements in the future. A significant increase in the price of natural gas, electricity and fuel that is not recovered through an increase in the price of our potash, or an extended interruption in the supply of natural gas, electricity, water or fuel to our production facilities, could materially adversely affect our business, financial condition or operating results. High natural gas costs also may increase farm input costs, which may cause our potash sales to decline.

The price of natural gas in North America is highly volatile. Since January 2004, natural gas prices according to the El Paso Natural Gas. Co. Permian Basin Index, on which the prices we pay for natural gas are primarily based, have ranged from a high of $10.75 per MMBtu in November 2005 to a low of $3.57 per MMBtu in October 2006. Steel is a commodity that is also subject to volatile pricing. Since January 2004, hot rolled steel prices have ranged from a high of $780 per ton in August 2004 to a low of $360 per ton in January 2004. Our forecasts of capital expenditures are based on assumptions with respect to prices of skilled labor and commodities, including steel and concrete. We cannot predict future commodity prices, and if such prices are higher than expected, we may lose sales to competitors with lower production costs, our profitability could be materially adversely affected and our capital expenditures could increase.

Aggressive pricing strategies by our competitors could materially adversely affect our sales and profitability.

Many of our competitors have significantly larger operations than we do and mine potash from reserves that are thicker, higher-grade and less geologically complex than our reserves. The large size of some of our competitors may give them greater leverage in pricing negotiations with customers and may enable them to negotiate better rates for transportation of products sold. The nature of our competitors reserves and the economies of scale of their operations may allow them to mine their potash at a lower cost. If one or more of these competitors were to decide for any reason to aggressively lower prices in an attempt to increase their sales, our size and cost structure might not allow us to match that pricing, such that we would likely lose sales and our operating results and profitability would be materially adversely affected.

Any decline in U.S. agricultural production or limitations on the use of our products for agricultural purposes could materially adversely affect the market for our products.

Conditions in the U.S. agricultural industry can significantly impact our operating results. The U.S. agricultural industry can be affected by a number of factors, including weather patterns and field conditions, current and projected grain inventories and prices, the domestic and international demand for U.S. agricultural products and U.S. and foreign policies regarding trade in agricultural products.

State and federal governmental policies, including farm and ethanol subsidies and commodity support programs, may also directly or indirectly influence the number of acres planted, the mix of crops planted and the use of fertilizers for particular agricultural applications. In addition, several states are currently considering limitations on the use and application of fertilizers due to concerns about the impact of these products on the environment.

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

A significant portion of our sales consists of sales of standard potash for use in oil and gas drilling fluids in the Permian Basin and Rocky Mountain regions. If oil and gas drilling were to decline significantly, we would be required to compact our standard product in order to sell it into the agricultural market, which would increase our production costs. Furthermore, our net sales per ton for these additional agricultural tons would likely be lower than the industrial sales they would replace, as agricultural sales may require transportation to more distant delivery points. Alternative products that have some of the clay-inhibiting properties of potash in oil and gas drilling fluids are commercially available. As the price of potash increases, these alternative products may replace some of our sales of standard potash, which would reduce our industrial sales and result in the same increases in production costs and decreases in net sales per ton.

Some of our competitors have greater capital and human resources than we do, which may place us at a competitive disadvantage and adversely affect our sales and profitability.

We compete with a number of producers in North America and throughout the world. Some of these competitors may have greater total resources than we do. Competition in our product lines is based on a number of considerations, including product performance, transportation costs, brand reputation, price and quality of client service and support. To remain competitive, we need to invest continuously in production infrastructure, marketing and customer relationships. We may have to adjust the prices of some of our products to stay competitive. We may also need to borrow funds and become more highly leveraged. We may not have sufficient resources to continue to make such investments or maintain our competitive position relative to some of our competitors who have greater capital and human resources. To the extent other potash producers enjoy competitive advantages, the price of our products, our sales volumes and our profits could be materially adversely affected.

A shortage of railcars and trucks for carrying our products as well as increased transit time could result in customer dissatisfaction, loss of production or sales and higher transportation or equipment costs.

We rely heavily upon truck and rail transportation to deliver our products to our customers. In addition, the cost of transportation is an important component of the price of our products. Identifying and securing affordable and dependable transportation is important in supplying our customers and, to some extent, in the delivery to us of chemicals and other supplies and equipment for our mining operations. A shortage of railcars for carrying product as well as increased transit time in North America due to congestion in the rail system could prevent us from making timely delivery to our customers or lead to higher transportation costs, either of which could result in customer dissatisfaction or loss of sales. In addition, PCS, which markets our products outside North America, may have difficulty obtaining access to ships for sales of our products overseas. Higher costs for transportation services or an interruption or slowdown in these transport services due to high demand, labor disputes,

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adverse weather or other environmental events, or changes to rail systems, would negatively affect our ability to deliver products to our customers, which would harm our performance and operating results.

The seasonal demand for our products and the variations in our cash flows from quarter to quarter may have an adverse effect on our operating results and make the price of our common stock more volatile.

The fertilizer business is seasonal, with operating results that vary from quarter to quarter as a result of crop growing and harvesting seasons and weather conditions, as well as other factors. Over the last three years, we have averaged 28% of our annual potash sales volume during the three-month period from February through April, when the demand for fertilizer typically peaks. We and our customers generally build inventories during low-demand periods of the year in order to ensure timely product availability during peak sales seasons. The seasonality of crop nutrient demand results in our sales volumes and net sales revenue typically being the highest during the North American spring season and our working capital requirements typically being the highest just before the start of the spring season. Our quarterly financial results can vary significantly from one year to the next due to weather-related shifts in planting schedules and purchasing patterns. If seasonal demand exceeds our projections, our customers may acquire products from our competitors, and our profitability could be materially reduced as a result. If seasonal demand is less than we expect, we will be left with excess inventory and higher working capital and liquidity requirements.

We rely on our innovative senior management personnel for the development and execution of our business strategy, and the loss of any member of our senior management team may have a material adverse effect on our growth and operating results.

Our executives have an average of over 25 years of relevant industry experience. Our senior management team has developed and implemented first-of-their-kind processes and other innovative ideas that are largely responsible for the success of our business. The loss of the services of any of our key executives could prevent us from achieving our business strategies or limit our business growth and operating results. We do not currently maintain key person life insurance on any of our key executives.

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

The U.S. imports the majority of its potash from Canada and Russia. As the Canadian dollar, or the loonie, and the Russian ruble strengthen in comparison to the U.S. dollar, foreign suppliers realize a smaller margin in their local currencies unless they increase their nominal U.S. dollar prices. In 2007, the loonie and ruble strengthened to an average of $0.93565 and $0.03913, respectively, compared to the U.S. dollar. As of March 31, 2008, the loonie and ruble were trading at $0.9758 and $0.04256, respectively, against the U.S. dollar. The continued strengthening of the loonie and ruble thus tend to support higher U.S. potash prices, as Canadian and Russian potash producers attempt to maintain their margins. However, if the loonie and ruble were to weaken in comparison to the U.S. dollar, foreign competitors may choose to lower prices significantly to increase sales volumes. A decrease in the net realized sales price of our potash would adversely affect our operating results, and the potential for volatility in potash prices may cause our operating results to vary significantly from quarter to quarter, which may create volatility in our stock price.

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Existing and further oil and gas development in the Potash Area in New Mexico could result in methane gas leaking into our mines that could result in the loss of life and significant property damage, and require indefinite suspension of operations unless extensive modifications were made to the mines.

Our New Mexico operations are primarily on leased federal land administered by the Bureau of Land Management, or BLM, in the 497,000-acre Potash Area established by a 1986 order of the U.S. Secretary of the Interior. Under our leases, the BLM retains the right to permit other uses of the land on which our leases are located. The Potash Area also contains significant oil and gas deposits that are below our potash reserves, and approximately 3,000 oil and gas wells have been drilled in the Potash Area. Several oil and gas companies are actively seeking BLM and state permits to drill additional wells in the Potash Area.

Oil and gas drilling near our mines poses risks to our operations. The subsidence of the surface and underlying strata that occurs following completion of mining operations will damage the casing of any oil or gas well located within the subsidence area. That damage may result in methane gas escaping from the well and migrating through surrounding strata into our mines. Methane gas could also leak from a well located outside the subsidence area and migrate into a mine. We test our mines for methane gas daily; however, unlike coal mines which are constructed and equipped to handle the presence of methane gas, our mines are not constructed or equipped to deal with methane gas. Any intrusion of methane gas into our mines could cause an explosion resulting in loss of life and significant property damage and require suspension of all mining operations until the completion of extensive modifications and reequipping of the mine. The costs