

PROSPECT GLOBAL RESOURCES INC.

Insider Trading Policy

Explanation of the Law

The federal securities laws and regulations prohibit the purchase or sale of a security at a time when the person trading in that security possesses material, non-public information concerning the issuer of the security, or the market for the security, which has not yet become a matter of general public knowledge. Communication of non-public information to a third party, under circumstances where improper trading can be anticipated (so-called “tipping”), is also prohibited. These prohibitions apply to any security, including options – not just stock.

“Material, non-public information” includes information that is not available to the public at large that could affect the market price of the security and to which a reasonable investor would attach importance in deciding whether to buy, sell, or retain the security. Common examples of information that will frequently be regarded as material are: (1) the gain or loss of a substantial customer or strategic partner; (2) earnings or losses not yet reported or announced; (3) projections by a company’s officers of future earnings or losses; (4) information about the Company’s expansion plans; (5) news of a pending or proposed merger or acquisition, or a tender offer or exchange offer; (6) information about a major joint venture; (7) news of a significant sale of assets or the disposition of a subsidiary; (8) changes in dividend policies or the declaration of a stock split or the offering of additional securities; (9) impending financial liquidity or bankruptcy problems; (10) changes in management; or (11) significant litigation. It should be noted that either positive or negative information may be material.

Information is considered to be available to the public only when it has been released to the public through appropriate channels (e.g., by means of a press release or a public statement from one of the Company’s senior officers or in a filing with the Securities and Exchange Commission) and enough time has elapsed to permit the stock markets to absorb and evaluate the information. Once public release has occurred, information will normally be regarded as absorbed and evaluated after three days.

The Company’s Policy

a. No Trading On Material, Non-Public Information. Any director, officer or employee who has material, non-public information relating to the Company or any other corporation, including any of the Company’s strategic partners, may not (i) buy or sell the securities of the Company or the other corporation, (ii) pass along the information to others, or (iii) permit any member of his or her immediate family or anyone acting on his or her behalf, or anyone to whom he or she has disclosed the information, to purchase or sell such securities.

To allow for public dissemination and evaluation of the information after public disclosure through appropriate channels, a reasonable time should be allowed to elapse (at least three business days) before trading in the security. As a general rule, it is

expected that you will be less likely to be in possession of material, non-public information during the thirty day periods beginning three days after the release of quarterly and annual financial results. However, even during these periods, you are subject to the above prohibitions if you possess material, non-public information.

b. Prior Notification Required for Certain Persons. Since certain persons are expected to routinely have access to material, non-public information, it is the Company's policy that those persons, namely directors, senior officers and certain other specified employees, must not purchase or sell the Company's securities or securities of any strategic partner of the Company or any other company with which the Company conducts business whether or not such person knows specific material, non-public information, unless such person has first notified the Company's **Chief Financial Officer**, that such person intends to purchase or sell any such securities. The Company's **Chief Financial Officer** will advise you if you are subject to this pre-notification standard. For purposes of this policy, a company would be considered a strategic partner if its business with the Company constituted an important portion of the Company's business. Feel free to contact the Company's **Chief Financial Officer** if you have questions regarding whether a particular company is a strategic partner of the Company or otherwise conducts business with the Company.

c. Other Trading Restrictions. In addition, it is the Company's policy that officers, directors and employees should not:

(i) Buy or sell the Company's stock during the period commencing on the fifth business day of a fiscal quarter through and including the second business day following the release of the prior quarter's earnings or prior year's earnings in the case of the first quarter;

(ii) Purchase the Company's stock on margin;

(iii) Sell the Company's stock short (excluding short sales against the box); or

(iv) Buy or sell put or call options in the Company's stock.

d. Trading Restrictions for Section 16 Insiders. Section 16 of the Securities Exchange Act of 1934 applies to officers, directors and 10% stockholders of a public company, commonly known as "Section 16 insiders." Section 16 generally prohibits a Section 16 insider from making a purchase of the Company's stock within six months of a sale of the Company's stock. Such a pair of opposite-way transactions within a six-month time frame is commonly referred to as a "short-swing trade." The prohibition of short-swing trades applies regardless of whether the purchase or the sale comes first.

Section 16 is applied strictly and the insider's actual intentions and actual possession or non-possession of insider information at the time of the trade are irrelevant. If a Section 16 insider makes a short-swing trade, he or she is required to disgorge the profits from the trade to the Company.

The Section 16 rules are extremely complex and contain numerous exceptions, the most notable being for the acquisition and disposition of shares issuable under employee benefit plans. Section 16 insiders should review any potential purchase or

sale of stock with the Company's Chief Financial Officer, and may wish to consult with their own attorneys.

Section 16 insiders are required to file reports with the Securities and Exchange Commission. A Form 3 must be filed within 10 days of a person becoming a Section 16 insider. A Form 4 must be filed by the end of the second business day following the day on which a reportable transaction or change in beneficial ownership of the Company's stock occurs. A Form 5 must be filed within 45 days of the end of the Company's fiscal year. Each Section 16 insider is ultimately responsible for accurately and timely making these filings; however, the Company will assist its Section 16 insiders in preparing and making the filings. Section 16 insiders must report any transactions in the Company's stock promptly to the Company's **Chief Financial Officer**. The Company's annual proxy statement must disclose any late filings.

Any person who has a question concerning the propriety of a proposed transaction, or who has a question about the policy in general, is encouraged to contact the Company's **Chief Financial Officer**.