



GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Revenues:				
Gas sales	\$ 6,838	\$ 20,701	\$ 16,290	\$ 36,282
Operating fees and other	77	203	175	501
Total revenues	6,915	20,904	16,465	36,783
Expenses:				
Total production expenses	4,954	5,280	11,339	10,495
Depreciation, depletion and amortization	1,982	2,489	5,018	4,949
Impairment of gas properties	27,582	—	167,295	—
General and administrative	2,181	2,887	5,154	5,380
Realized (gains) losses on derivative contracts	(2,734)	1,493	(5,457)	631
Unrealized losses on derivative contracts	2,144	12,098	1,958	20,745
Total operating expenses	36,109	24,247	185,307	42,200
Operating loss	(29,194)	(3,343)	(168,842)	(5,417)
Other expenses & interest, net	(1,404)	(1,069)	(2,378)	(2,371)
Loss before income taxes	(30,598)	(4,412)	(171,220)	(7,788)
Income tax benefit	11,212	1,235	64,108	2,469
Net loss	\$(19,386)	\$ (3,177)	\$(107,112)	\$ (5,319)
Loss per share:				
Net loss				
Basic	\$ (0.50)	\$ (0.08)	\$ (2.75)	\$ (0.14)
Diluted	\$ (0.50)	\$ (0.08)	\$ (2.75)	\$ (0.14)
Weighted average number of common shares:				
Basic	39,123	39,271	39,024	39,140
Diluted	39,123	39,271	39,024	39,140

GEOMET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Assets:		
Current assets	\$ 12,044	\$ 17,938
Properties and equipment, net of accumulated depreciation, depletion, amortization and impairment of gas properties	191,711	358,299
Other assets	20,077	1,363
Total assets	<u>\$ 223,832</u>	<u>\$ 377,600</u>
Liabilities and stockholders' equity:		
Current liabilities	\$ 10,518	\$ 19,379
Long-term debt	122,285	117,118
Other long-term liabilities	4,890	48,671
Total liabilities	<u>137,693</u>	<u>185,168</u>
Total stockholders' equity	<u>86,139</u>	<u>192,432</u>
Total liabilities and stockholders' equity	<u>\$ 223,832</u>	<u>\$ 377,600</u>

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six Months Ended	
	June 30,	
	2009	2008
Net cash provided by operating activities	\$ 3,243	\$ 17,574
Net cash used in investing activities	(9,302)	(18,549)
Net cash provided by (used in) financing activities	5,173	3,482
Effect of exchange rates changes on cash	10	(11)
(Decrease) increase in cash and cash equivalents	(876)	2,496
Cash and cash equivalents at beginning of period	2,097	1,540
Cash and cash equivalents at end of period	<u>\$ 1,221</u>	<u>\$ 4,036</u>

**GEOMET, INC.
OPERATING STATISTICS**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net sales volumes (MMcf)	1,903	1,856	3,790	3,727
Per Mcf data (\$/Mcf):				
Average natural gas sales price	\$ 3.59	\$ 11.15	\$ 4.30	\$ 9.73
Differential to NYMEX (1)	\$ (0.04)	\$ 0.23	\$ 0.04	\$ 0.25
Average natural gas sales price realized (2)	\$ 5.03	\$ 10.35	\$ 5.74	\$ 9.57
Adjusted lease operating expense (3)	\$ 1.72	\$ 1.85	\$ 2.04	\$ 1.85
Compression expenses	\$ 0.50	\$ 0.40	\$ 0.47	\$ 0.38
Transportation expense	\$ 0.22	\$ 0.14	\$ 0.27	\$ 0.17
Production taxes	\$ 0.13	\$ 0.34	\$ 0.16	\$ 0.29
Total production expenses, as adjusted (3)	\$ 2.57	\$ 2.73	\$ 2.94	\$ 2.68
Depreciation, depletion and amortization	\$ 1.04	\$ 1.31	\$ 1.32	\$ 1.31

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
POND CREEK FIELD				
Net sales volumes (MMcf)	1,312	1,223	2,603	2,446
Per Mcf data (\$/Mcf):				
Lease operating expense	\$ 1.14	\$ 1.53	\$ 1.44	\$ 1.57
Compression expense	\$ 0.41	\$ 0.35	\$ 0.36	\$ 0.36
Transportation expense	\$ 0.31	\$ 0.22	\$ 0.38	\$ 0.25
Production taxes	\$ 0.10	\$ 0.17	\$ 0.13	\$ 0.12
Total production expenses	\$ 1.96	\$ 2.27	\$ 2.31	\$ 2.30

GURNEE FIELD				
Net sales volumes (MMcf)	537	550	1,094	1,109
Per Mcf data (\$/Mcf):				
Adjusted lease operating expense (3)	\$ 2.60	\$ 2.85	\$ 2.79	\$ 2.75
Compression expense	\$ 0.58	\$ 0.56	\$ 0.59	\$ 0.52
Production taxes	\$ 0.18	\$ 0.66	\$ 0.25	\$ 0.59
Total production expenses, as adjusted (3)	\$ 3.36	\$ 4.07	\$ 3.63	\$ 3.86

- (1) The difference between the average natural gas price for the period, before the impact of gain and losses on derivative contract, and the final average settlement price for natural gas contracts on the New York Mercantile Exchange ("NYMEX") for each month during the applicable period weighted by gas sales volumes
- (2) Average realized price includes the effects of realized gains on derivative contracts.
- (3) Produced water disposal fees are recorded as operating fees and other on the Statement of Operations. Lease operating expense per Mcf has been adjusted for produced water disposal fees because the fees are not reflected in the net gas sales volumes. See Reconciliation of Adjusted Lease Operating Expense.

GEOMET, INC.
CONSOLIDATED DERIVATIVE CONTRACT POSITIONS

At June 30, 2009, the Company had the following natural gas collar positions:

Period	Volume (MMBtu)	Sold Ceiling	Bought Floor	Sold Floor
July through October 2009	738,000	\$ (1)	\$ 7.50	\$ 5.25
July through October 2009	738,000	\$ (1)	\$ 8.50	\$ 6.50
July through October 2009 (1)	1,476,000	\$ 4.50	\$ 3.70	\$ (1)
November 2009 through March 2010	906,000	\$ 11.20	\$ 9.50	\$ 7.00
November 2009 through March 2010	604,000	\$ 6.65	\$ 5.50	\$ 3.50
April through October 2010	856,000	\$ 6.80	\$ 5.50	\$ 3.50

(1) In connection with the July through October 2009 natural gas collar related to natural gas volumes of 1,476,000 MMBtu/day denoted above, the Company eliminated the existing \$10.00 sold ceilings with respect to all three-way-collars through October 2009.

At June 30, 2009, the Company had the following natural gas swap position:

Period	Volume (MMBtu)	Price
July through October 2009	492,000	\$ 4.47

At June 30, 2009, the Company had the following interest rate swap positions:

Description	Effective date	Designated maturity date	Fixed rate (2)	Notional amount
Floating-to-fixed swap	12/14/2007	12/14/2010	3.86%	\$ 15,000,000
Floating-to-fixed swap	1/3/2008	1/4/2010	3.95%	\$ 10,000,000
Floating-to-fixed swap	3/25/2008	3/25/2010	2.38%	\$ 10,000,000
Floating-to-fixed swap	5/13/2008	5/13/2010	3.07%	\$ 5,000,000
Floating-to-fixed swap	1/6/2009	1/6/2011	1.38%	\$ 5,000,000

(2) The floating rate paid by the counterparty is the British Bankers' Association LIBOR rate.

GEOMET, INC.
RECONCILIATION OF ADJUSTED EBITDA TO NET LOSS

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net loss	\$ (19,386)	\$ (3,177)	\$(107,112)	\$ (5,319)
Add: Interest expense, net of interest income and amounts capitalized	1,413	1,104	2,386	2,400
(Deduct): Other income	(9)	(35)	(8)	(29)
(Deduct): Income tax benefit	(11,212)	(1,235)	(64,108)	(2,469)
Add: Depreciation, depletion and amortization	1,982	2,489	5,018	4,949
Add: Impairment of gas properties	27,582	—	167,295	—
Add: Unrealized losses on derivative contracts	2,144	12,098	1,958	20,745
Add: Stock based compensation	189	196	501	384
Add: Accretion expense	105	84	213	168
Adjusted EBITDA	<u>\$ 2,808</u>	<u>\$ 11,524</u>	<u>\$ 6,143</u>	<u>\$ 20,829</u>

The table above reconciles net loss to Adjusted EBITDA. Adjusted EBITDA is defined as net loss before net interest expense, other non-operating income, income taxes, depreciation, depletion and amortization, and minority interest before unrealized losses on derivative contracts, stock-based compensation and accretion expense. Although Adjusted EBITDA is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States of America (GAAP), management believes that it is useful to GeoMet and to an investor in evaluating our company because it is a widely used measure to evaluate a company's operating performance.

GEOMET, INC.
RECONCILIATION OF ADJUSTED NET (LOSS) INCOME TO NET LOSS

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net loss	\$ (19,386)	\$ (3,177)	\$(107,112)	\$ (5,319)
Impairment of gas properties	27,582	—	167,295	—
Unrealized losses on derivative contracts, net of tax	2,144	12,098	1,958	20,745
Effect of income taxes	(11,164)	(3,387)	(63,952)	(6,577)
Adjusted Net (Loss) Income	<u>\$ (824)</u>	<u>\$ 5,534</u>	<u>\$ (1,811)</u>	<u>\$ 8,849</u>

The table above reconciles net loss to Adjusted Net (Loss) Income. Adjusted Net (Loss) Income is calculated by eliminating unrealized losses on derivative contracts from net loss, non-cash impairments to our gas properties, and their related tax effects to arrive at Adjusted Net (Loss) Income. The tax effects are determined by calculating the tax provision for GAAP net loss and comparing the results to the tax provision for Adjusted Net (Loss) Income, which excludes the adjusting items. The difference in the tax provision calculations represents the effect of income taxes. The calculation is performed at the end of each quarter and, as a result, the tax rates for each discrete period are different. Although Adjusted Net (Loss) Income is a non-GAAP measure, we believe it is useful information for investors because the unrealized losses relate to derivative contracts that hedge our production in future months. The losses associated with derivative contracts that hedge current production are recognized in net loss and are not eliminated in determining Adjusted Net (Loss) Income. The adjustment better matches losses on derivative contracts with the period when the underlying hedged production occurs.

GEOMET, INC.
RECONCILIATION OF ADJUSTED LEASE OPERATING EXPENSE

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Lease operating expense	\$ 3,348	\$ 3,640	\$ 7,918	\$ 7,391
Deduct: Produced water disposal fees	77	203	175	501
Adjusted lease operating expense	<u>\$ 3,271</u>	<u>\$ 3,437</u>	<u>\$ 7,743</u>	<u>\$ 6,890</u>

The table above reconciles lease operating expense to adjusted lease operating expense. Adjusted lease operating expense is calculated by eliminating the produced water disposal fees from lease operating expense to arrive at adjusted lease operating expense. Although adjusted lease operating expense is a non-GAAP measure, we believe it is useful information for investors because produced water disposal fees are recorded as operating fees and other on the Statement of Operations. Lease operating costs per Mcf are adjusted for produced water disposal fees because the fees are not reflected in the net gas sales price. The adjustment better matches lease operating expense with the natural gas sales revenues it is associated w