



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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
Revenues:		
Gas sales	\$ 9,453	\$ 15,581
Operating fees and other	98	298
Total revenues	<u>9,551</u>	<u>15,879</u>
Expenses:		
Total production expenses	6,386	5,216
Depreciation, depletion and amortization	3,037	2,459
Impairment of gas properties	139,713	—
General and administrative	2,973	2,493
Realized gains on derivative contracts	(2,723)	(862)
Unrealized (gains) losses on derivative contracts	(186)	8,647
Total operating expenses	<u>149,200</u>	<u>17,953</u>
Operating loss	(139,649)	(2,074)
Other expenses & interest, net	(974)	(1,302)
Loss before income taxes	(140,623)	(3,376)
Income tax (benefit) expense	(52,897)	1,234
Net loss	<u>\$ (87,726)</u>	<u>\$ (2,142)</u>
Loss per share:		
Net loss		
Basic	<u>\$ (2.25)</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ (2.25)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares:		
Basic	<u>38,924</u>	<u>39,004</u>
Diluted	<u>38,924</u>	<u>39,004</u>

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**GEOMET, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Assets:		
Current assets	\$ 15,142	\$ 17,938
Properties and equipment, net of accumulated depreciation, depletion, amortization and impairment of gas properties	218,827	358,299
Other assets	9,809	1,363
Total assets	<u>\$ 243,778</u>	<u>\$ 377,600</u>
Liabilities and stockholders' equity:		
Current liabilities	\$ 12,428	\$ 19,379
Long-term debt	121,554	117,118
Other long-term liabilities	4,808	48,671
Total liabilities	<u>138,790</u>	<u>185,168</u>
Total stockholders' equity	<u>104,988</u>	<u>192,432</u>
Total liabilities and stockholders' equity	<u>\$ 243,778</u>	<u>\$ 377,600</u>

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**GEOMET, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
Net cash provided by operating activities	\$ 2,193	\$ 3,846
Net cash used in investing activities	(7,131)	(7,210)
Net cash provided by financing activities	4,441	4,514
Effect of exchange rates changes on cash	(56)	144
(Decrease) increase in cash and cash equivalents	(553)	1,294
Cash and cash equivalents at beginning of period	2,097	1,541
Cash and cash equivalents at end of period	<u>\$ 1,544</u>	<u>\$ 2,835</u>

**GEOMET, INC.**  
**OPERATING STATISTICS**

	<b>Three Months Ended</b>	
	<b>2009</b>	<b>2008</b>
Net sales volumes (MMcf)	1,887	1,871
Per Mcf data (\$/Mcf):		
Average natural gas sales price	\$ 5.01	\$ 8.33
Differential to NYMEX (1)	\$ 0.11	\$ 0.30
Average natural gas sales price realized (2)	\$ 6.45	\$ 8.79
Adjusted lease operating expense (3)	\$ 2.37	\$ 1.85
Compression expenses	\$ 0.44	\$ 0.37
Transportation expense	\$ 0.33	\$ 0.19
Production taxes	\$ 0.19	\$ 0.23
Total production expenses, as adjusted (3)	\$ 3.33	\$ 2.64
Depreciation, depletion and amortization	\$ 1.61	\$ 1.31

**POND CREEK FIELD**

	<b>Three Months Ended</b>	
	<b>2009</b>	<b>2008</b>
Net sales volumes (MMcf)	1,291	1,223
Per Mcf data (\$/Mcf):		
Lease operating expense	\$ 1.76	\$ 1.61
Compression expense	\$ 0.31	\$ 0.35
Transportation expense	\$ 0.46	\$ 0.28
Production taxes	\$ 0.15	\$ 0.08
Total production expenses	\$ 2.68	\$ 2.32

**GURNEE FIELD**

	<b>Three Months Ended</b>	
	<b>2009</b>	<b>2008</b>
Net sales volumes (MMcf)	557	559
Per Mcf data (\$/Mcf):		
Adjusted lease operating expense (3)	\$ 2.98	\$ 2.65
Compression expense	\$ 0.59	\$ 0.48
Production taxes	\$ 0.31	\$ 0.51
Total production expenses, as adjusted (3)	\$ 3.88	\$ 3.64

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- (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 March 31, 2009, the Company had the following natural gas collar positions:

<b>Period</b>	<b>Volume (MMBtu)</b>	<b>Sold Ceiling</b>	<b>Bought Floor</b>	<b>Sold Floor</b>
April through October 2009	1,284,000	\$ 10.00 (1)	\$ 7.50	\$ 5.25
April through October 2009	1,284,000	\$ 10.00 (1)	\$ 8.50	\$ 6.50
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

On May 6, 2009, the Company entered into the following natural gas collar position:

<b>Period</b>	<b>Volume (MMBtu)</b>	<b>Sold Ceiling</b>	<b>Bought Floor</b>
June through October 2009 (1)	1,836,000	\$ 4.50	\$ 3.70

(1) In connection with the natural gas collar entered into on May 6, 2009, the Company eliminated the existing \$10.00 sold ceilings with respect to all three-way-collars for the period April through October 2009.

At March 31, 2009, the Company had the following natural gas swap position:

<b>Period</b>	<b>Volume (MMBtu)</b>	<b>Price</b>
April through October 2009	856,000	\$ 4.47

At March 31, 2009, the Company had the following interest rate swap positions:

<b>Description</b>	<b>Effective date</b>	<b>Designated maturity date</b>	<b>Fixed rate (2)</b>	<b>Notional amount</b>
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.

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**GEOMET, INC.**  
**RECONCILIATION OF ADJUSTED EBITDA TO NET LOSS**

(In thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
Net loss	\$ (87,726)	\$ (2,142)
Add: Interest expense, net of interest income and amounts capitalized	973	1,296
Add: Other expense	1	6
(Deduct): Income tax benefit	(52,897)	(1,234)
Add: Depreciation, depletion and amortization	3,037	2,459
Add: Impairment of gas properties	139,713	-
(Deduct) Add: Unrealized (gains) losses on derivative contracts	(186)	8,647
Add: Stock based compensation	312	188
Add: Accretion expense	107	84
Adjusted EBITDA	<u>\$ 3,334</u>	<u>\$ 9,304</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 or losses, income taxes, depreciation, depletion and amortization, and minority interest before unrealized (gains) 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.

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

(In thousands)

	<b>Three Months Ended</b>	
	<b>2009</b>	<b>2008</b>
Net loss	\$ (87,726)	\$ (2,142)
Impairment of gas properties	139,713	—
Unrealized (gains) losses on derivative contracts, net of tax	(186)	8,647
Effect of income taxes	<u>(52,787)</u>	<u>(3,303)</u>
Adjusted Net (Loss) Income	<u>\$ (986)</u>	<u>\$ 3,202</u>

The table above reconciles net loss to Adjusted Net (Loss) Income. Adjusted Net (Loss) Income is calculated by eliminating unrealized (gains) 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 (gains) losses relates to derivative contracts that hedge our production in future months. The (gains) 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 (gains) losses on derivative contracts with the period when the underlying hedged production occurs.

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**GEOMET, INC.**  
**RECONCILIATION OF ADJUSTED LEASE OPERATING EXPENSE**

(In thousands)

	<b>Three Months Ended</b>	
	<b>2009</b>	<b>2008</b>
Lease operating expense	\$ 4,569	\$ 3,751
Deduct: Produced water disposal fees	98	297
Adjusted lease operating expense	<u>\$ 4,471</u>	<u>\$ 3,454</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 with.