

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>				
Gas sales	\$ 6,394	\$ 18,674	\$ 22,684	\$ 54,956
Operating fees and other	<u>97</u>	<u>146</u>	<u>272</u>	<u>648</u>
Total revenues	6,491	18,820	22,956	55,604
<b>Expenses:</b>				
Total production expenses	4,678	5,204	16,018	15,700
Depreciation, depletion and amortization	5,169	2,524	10,187	7,472
Impairment of gas properties	69,146	—	236,441	—
General and administrative	1,853	2,098	7,007	7,478
Realized (gains) losses on derivative contracts	(3,169)	1,390	(8,626)	2,021
Unrealized losses (gains) on derivative contracts	<u>3,567</u>	<u>(21,565)</u>	<u>5,526</u>	<u>(820)</u>
Total operating expenses	81,244	(10,349)	266,553	31,851
Operating (loss) income	(74,753)	29,169	(243,597)	23,753
Other expenses & interest, net	<u>(1,376)</u>	<u>(1,084)</u>	<u>(3,753)</u>	<u>(3,455)</u>
(Loss) income before income taxes	(76,129)	28,085	(247,350)	20,298
Income tax benefit (expense)	<u>27,786</u>	<u>(10,604)</u>	<u>91,895</u>	<u>(8,135)</u>
Net (loss) income	<u><u>\$(48,343)</u></u>	<u><u>\$ 17,481</u></u>	<u><u>\$(155,455)</u></u>	<u><u>\$ 12,163</u></u>
<b>(Loss) income per share:</b>				
<b>Net (loss) income</b>				
Basic	<u><u>\$ (1.24)</u></u>	<u><u>\$ 0.45</u></u>	<u><u>\$ (3.98)</u></u>	<u><u>\$ 0.31</u></u>
Diluted	<u><u>\$ (1.24)</u></u>	<u><u>\$ 0.44</u></u>	<u><u>\$ (3.98)</u></u>	<u><u>\$ 0.31</u></u>
<b>Weighted average number of common shares:</b>				
Basic	<u><u>39,140</u></u>	<u><u>38,872</u></u>	<u><u>39,063</u></u>	<u><u>38,822</u></u>
Diluted	<u><u>39,140</u></u>	<u><u>39,839</u></u>	<u><u>39,063</u></u>	<u><u>39,714</u></u>

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

(In thousands)

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Assets:		
Current assets	\$ 8,178	\$ 17,938
Properties and equipment, net of accumulated depreciation, depletion, amortization and impairment of gas properties	119,806	358,299
Deferred income taxes	46,170	—
Other assets	558	1,363
Total assets	<u>\$ 174,712</u>	<u>\$ 377,600</u>
Liabilities and stockholders' equity:		
Current liabilities	\$ 10,720	\$ 19,379
Long-term debt	120,016	117,118
Deferred income taxes	—	43,842
Other long-term liabilities	5,721	4,829
Total liabilities	<u>136,457</u>	<u>185,168</u>
Total stockholders' equity	<u>38,255</u>	<u>192,432</u>
Total liabilities and stockholders' equity	<u>\$ 174,712</u>	<u>\$ 377,600</u>

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

(In thousands)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>
Net cash provided by operating activities	\$ 6,861	\$ 24,970
Net cash used in investing activities	(11,113)	(36,512)
Net cash provided by financing activities	2,906	11,966
Effect of exchange rates changes on cash	<u>67</u>	<u>(11)</u>
(Decrease) increase in cash and cash equivalents	(1,279)	413
Cash and cash equivalents at beginning of period	<u>2,097</u>	<u>1,540</u>
Cash and cash equivalents at end of period	<u>\$ 818</u>	<u>\$ 1,953</u>

**GEOMET, INC.  
OPERATING STATISTICS**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net sales volumes (MMcf)	1,901	1,821	5,690	5,548
Per Mcf data (\$/Mcf):				
Average natural gas sales price	\$ 3.36	\$ 10.26	\$ 3.99	\$ 9.91
Differential to NYMEX (1)	\$ (0.03)	\$ 0.04	\$ 0.06	\$ 0.20
Average natural gas sales price realized (2)	\$ 5.03	\$ 9.49	\$ 5.50	\$ 9.54
Adjusted lease operating expense (3)(4)	\$ 1.63	\$ 1.83	\$ 1.91	\$ 1.84
Compression expenses	\$ 0.48	\$ 0.45	\$ 0.47	\$ 0.40
Transportation expense	\$ 0.17	\$ 0.17	\$ 0.24	\$ 0.17
Production taxes	\$ 0.13	\$ 0.33	\$ 0.15	\$ 0.30
Total production expenses, as adjusted (3)	\$ 2.41	\$ 2.78	\$ 2.77	\$ 2.71
Depreciation, depletion and amortization	\$ 2.72	\$ 1.39	\$ 1.79	\$ 1.35

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>POND CREEK FIELD</b>				
Net sales volumes (MMcf)	1,318	1,252	3,920	3,698
Per Mcf data (\$/Mcf):				
Lease operating expense	\$ 1.27	\$ 1.46	\$ 1.38	\$ 1.53
Compression expense	\$ 0.41	\$ 0.41	\$ 0.38	\$ 0.37
Transportation expense	\$ 0.23	\$ 0.24	\$ 0.33	\$ 0.25
Production taxes	\$ 0.11	\$ 0.19	\$ 0.12	\$ 0.15
Total production expenses	\$ 2.02	\$ 2.30	\$ 2.21	\$ 2.30

<b>GURNEE FIELD</b>				
Net sales volumes (MMcf)	527	558	1,620	1,667
Per Mcf data (\$/Mcf):				
Adjusted lease operating expense (3)	\$ 2.11	\$ 2.55	\$ 2.57	\$ 2.69
Compression expense	\$ 0.50	\$ 0.55	\$ 0.56	\$ 0.53
Production taxes	\$ 0.19	\$ 0.64	\$ 0.23	\$ 0.60
Total production expenses, as adjusted (3)	\$ 2.80	\$ 3.74	\$ 3.36	\$ 3.82

- (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.

- (4) The 2009 adjusted lease operating expenses include lease operating expenses in three new areas, the Garden City prospect, the Lasher field and the Peace River field; none of which had meaningful operations during the prior year period. Per unit operating expenses are generally higher in the initial start up of a new field before economies of scale have been realized.

**GEOMET, INC.**  
**CONSOLIDATED DERIVATIVE CONTRACT POSITIONS**

At September 30, 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>
October 2009 (1)	186,000	\$ (1)	\$ 7.50	\$ 5.25
October 2009 (1)	186,000	\$ (1)	\$ 8.50	\$ 6.50
October 2009 (1)	372,000	\$ 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
April through October 2010	856,000	\$ 6.35	\$ 5.50	\$ -
November 2010 through March 2011	604,000	\$ 7.45	\$ 6.50	\$ -

(1) In connection with the October 2009 natural gas collar denoted above, the Company eliminated the existing \$10.00 sold ceilings with respect to all three-way-collars through October 2009.

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

<b>Period</b>	<b>Volume (MMBtu)</b>	<b>Price</b>
October 2009	124,000	\$ 4.47
April through October 2010	856,000	\$ 5.70
November 2010 through March 2011	604,000	\$ 6.67
April 2011 through October 2011	856,000	\$ 6.37
November 2011 through March 2012	608,000	\$ 7.12

At September 30, 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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Subsequent to September 30, 2009, the Company entered into the following natural gas swap position:

<b>Period</b>	<b>Volume (MMBtu)</b>	<b>Price</b>
April through October 2010	642,000	\$ 6.30
November 2010 through March 2011	906,000	\$ 7.26

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

(In thousands)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net (loss) income	\$ (48,343)	\$ 17,481	\$(155,455)	\$ 12,163
Add: Interest expense, net of interest income and amounts capitalized	1,380	1,102	3,766	3,502
(Deduct): Other income	(4)	(18)	(13)	(48)
(Deduct): Income tax (benefit) expense	(27,786)	10,604	(91,895)	8,135
Add: Depreciation, depletion and amortization	5,169	2,524	10,187	7,472
Add: Impairment of gas properties	69,146	—	236,441	—
Add: Unrealized losses (gains) on derivative contracts	3,567	(21,565)	5,526	(820)
Add: Stock based compensation	160	102	661	486
Add: Accretion expense	<u>111</u>	<u>90</u>	<u>324</u>	<u>258</u>
Adjusted EBITDA	<u>\$ 3,400</u>	<u>\$ 10,320</u>	<u>\$ 9,542</u>	<u>\$ 31,148</u>

The table above reconciles net (loss) income to Adjusted EBITDA. Adjusted EBITDA is defined as net (loss) income before net interest expense, other non-operating income, income taxes, depreciation, depletion and amortization, and minority interest before unrealized losses (gains) 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) INCOME**

(In thousands)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net (loss) income	\$ (48,343)	\$ 17,481	\$ (155,455)	\$ 12,163
Impairment of gas properties	69,146	—	236,441	—
Unrealized losses (gains) on derivative contracts, net of tax	3,567	(21,565)	5,526	(820)
Accelerated depletion - Canada	2,742	—	2,742	—
Effect of income taxes	<u>(27,759)</u>	<u>8,143</u>	<u>(91,711)</u>	<u>328</u>
Adjusted Net (Loss) Income	<u>\$ (647)</u>	<u>\$ 4,059</u>	<u>\$ (2,457)</u>	<u>\$ 11,671</u>

The table above reconciles net (loss) income to Adjusted Net (Loss) Income. Adjusted Net (Loss) Income is calculated by eliminating unrealized losses (gains) on derivative contracts from net (loss) income, non-cash accelerated depletion and 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) income 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 (gains) relate to derivative contracts that hedge our production in future months. The losses (gains) associated with derivative contracts that hedge current production are recognized in net (loss) income and are not eliminated in determining Adjusted Net (Loss) Income. The adjustment better matches losses (gains) 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>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Lease operating expense	\$ 3,195	\$ 3,475	\$ 11,113	\$ 10,867
Deduct: Produced water disposal fees	97	146	272	647
Adjusted lease operating expense	<u>\$ 3,098</u>	<u>\$ 3,329</u>	<u>\$ 10,841</u>	<u>\$ 10,220</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.