

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Total Revenues	\$ 10,140	\$ 7,563	\$ 22,451	\$ 14,070
Total production expenses	4,125	2,733	8,310	5,663
Depreciation, depletion and amortization	1,746	1,464	3,581	2,349
Research and development	29	319	98	320
General and administrative	1,436	804	2,456	1,556
Realized (gains) losses on derivative contracts	(439)	302	156	136
Unrealized (gains) losses on derivative contracts	(1,371)	(2,169)	(10,445)	2,670
Income From Operations	4,614	4,110	18,295	1,376
Other expenses & interest, net	(727)	(863)	(1,593)	(1,454)
Income tax expense (benefit)	(1,596)	(1,104)	(7,248)	1
Net income before minority interest, net of income tax	2,291	2,143	9,454	(77)
Minority interest, net of income tax	--	64	--	(442)
Net income	<u>\$ 2,291</u>	<u>\$ 2,079</u>	<u>\$ 9,454</u>	<u>\$ 365</u>
Earnings per share - basic	\$ 0.07	\$ 0.07	\$ 0.29	\$ 0.01
Earnings per share - diluted	\$ 0.07	\$ 0.07	\$ 0.28	\$ 0.01
Weighted average shares outstanding - basic	32,711	28,625	32,212	26,325
Weighted average shares outstanding - diluted:	33,702	29,447	33,297	26,896

GEOMET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)

	June 30, 2006	December 31, 2005
Assets:		
Current assets	\$ 5,451	\$ 9,829
Properties and equipment, net	276,587	236,649
Other assets	1,249	1,431
Total assets	\$ 283,287	\$ 247,909
Liabilities and stockholders' equity		
Current liabilities	\$ 15,968	\$ 17,197
Long-term debt	73,862	99,926
Other long-term liabilities	43,841	35,364
Total liabilities	133,671	152,487
Total stockholders' equity	149,616	95,422
Total liabilities and stockholders' equity	\$ 283,287	\$ 247,909

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2006	2005
Net cash provided by operating activities	\$ 16,495	\$ 8,608
Net cash used in investing activities	(34,508)	(35,813)
Net cash provided by financing activities	18,424	26,762
Effect of exchange rates changes on cash	(44)	(19)
equivalents	367	(462)
Cash and cash equivalents at beginning of period	616	3,014
Cash and cash equivalents at end of period	\$ 983	\$ 2,552

GEOMET, INC.
OPERATING STATISTICS

(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net Sales Volume				
Total (Bcf)	1.5	1.1	2.8	2.1
Daily Average (Mcf)	16,363	11,831	15,721	11,452
Average natural gas price	\$ 6.81	\$ 6.81	\$ 7.89	\$ 6.61
Differential to NYMEX ⁽¹⁾	\$ 0.03	\$ 0.12	\$ 0.07	\$ 0.12
Average natural gas price - realized ⁽²⁾	\$ 7.10	\$ 6.52	\$ 7.84	\$ 6.54
Expenses: (\$ per Mcf)				
Lease operating costs	\$ 1.90	\$ 1.68	\$ 1.99	\$ 1.88
Transportation costs	\$ 0.38	\$ 0.33	\$ 0.37	\$ 0.32
Compression costs	\$ 0.33	\$ 0.37	\$ 0.38	\$ 0.40
Production taxes	\$ 0.16	\$ 0.15	\$ 0.18	\$ 0.14
Total Production Costs	<u>\$ 2.77</u>	<u>\$ 2.54</u>	<u>\$ 2.92</u>	<u>\$ 2.73</u>

⁽¹⁾ The difference between the average natural gas price for the period, before the impact of hedging, 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 or losses on derivative contracts

GEOMET, INC.
NATURAL GAS PRODUCTION HEDGES

(Unaudited)

(As of August 10, 2006)

<u>Period</u>	<u>Type</u>	<u>Volume MMBtu</u>	<u>Weighted Average Price per MMBtu</u>		
			<u>Cap</u>	<u>Floor</u>	<u>Protection *</u>
Summer 2006	3 Way Collar	1,476,000	\$ 8.49	\$ 7.00	\$ 1.12
Winter 2006 / 2007	3 Way Collar	1,510,000	\$ 11.02	\$ 8.20	\$ 1.50
Summer 2007	3 Way Collar	1,712,000	\$ 10.50	\$ 7.38	\$ 1.63
Winter 2007 / 2008	3 Way Collar	1,216,000	\$ 14.80	\$ 9.00	\$ 3.00
Summer 2008	3 Way Collar	1,712,000	\$ 10.50	\$ 7.00	\$ 2.00

* Protection is the difference between the floor price and the point where the floor phases out. It remains a constant premium as prices decline below the point at which the floor phases out.

GEOMET, INC.
RECONCILIATION OF EBITDA AND ADJUSTED EBITDA

(Unaudited)

(In thousands)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net Income	\$ 2,291	\$ 2,079	\$ 9,454	\$ 365
Add: Interest expense, net of interest income and amounts capitalized	766	871	1,629	1,480
Less: Other (income) loss	(39)	(8)	(36)	(26)
Add (Deduct):Expense (benefit) for income taxes	1,596	1,104	7,248	(1)
Add: Depreciation, depletion and amortization	<u>1,746</u>	<u>1,464</u>	<u>3,581</u>	<u>2,349</u>
EBITDA	<u>6,360</u>	<u>5,510</u>	<u>21,876</u>	<u>4,167</u>
Add (Deduct): Unrealized losses (gains) on derivative contracts	(1,371)	(2,169)	(10,445)	2,670
Add: Stock based compensation	95	-	198	-
Add: Accretion expense	40	25	76	46
Adjusted EBITDA	<u><u>\$ 5,124</u></u>	<u><u>\$ 3,366</u></u>	<u><u>\$ 11,705</u></u>	<u><u>\$ 6,883</u></u>

The above table reconciles our net income to EBITDA and Adjusted EBITDA. EBITDA is defined as net income (loss) before deducting net interest expense, other non-operating income or losses, income taxes and depreciation, depletion and amortization. Adjusted EBITDA is defined as EBITDA after adding back the effects of non-cash charges including unrealized gains or losses resulting from the change in the market value of open derivative contracts, stock based compensation and accretion of asset retirement obligation at the end of the period. EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with generally accepted accounting principals (GAAP) and should not be considered as an alternative to GAAP measures such as net income, operating income, or any other GAAP measures of liquidity or financial performance. Management believes that EBITDA and Adjusted EBITDA are useful to an investor in evaluating GeoMet because it is a indicator of the Company's ability to generate cash to fund its exploration and development activities and analysts use this information to compare and evaluate companies in the oil and gas exploration and production industry.