

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Gas sales	\$ 20,701	\$ 13,439	\$ 36,282	\$ 25,287
Operating fees and other	<u>203</u>	<u>324</u>	<u>501</u>	<u>616</u>
Total revenues	20,904	13,763	36,783	25,903
Expenses:				
Total production expenses	5,280	5,097	10,495	10,259
Depreciation, depletion and amortization	2,489	2,265	4,949	4,341
General and administrative	2,887	2,227	5,380	4,504
Realized losses (gains) on derivative contracts	1,493	(50)	631	(1,297)
Unrealized losses (gains) on derivative contracts	<u>12,098</u>	<u>(1,861)</u>	<u>20,745</u>	<u>2,713</u>
Total operating expenses	<u>24,247</u>	<u>7,678</u>	<u>42,200</u>	<u>20,520</u>
Operating (loss) income from continuing operations	(3,343)	6,085	(5,417)	5,383
Other expenses & interest, net	<u>(1,069)</u>	<u>(1,239)</u>	<u>(2,371)</u>	<u>(2,135)</u>
Loss (income) before income taxes and discontinued operations	(4,412)	4,846	(7,788)	3,248
Income tax (benefit) expense	<u>(1,235)</u>	<u>1,892</u>	<u>(2,469)</u>	<u>1,396</u>
Loss (income) from continuing operations	(3,177)	2,954	(5,319)	1,852
Discontinued operations, net of tax	<u>-</u>	<u>45</u>	<u>-</u>	<u>121</u>
Net (loss) income	<u>\$ (3,177)</u>	<u>\$ 2,999</u>	<u>\$ (5,319)</u>	<u>\$ 1,973</u>
Earnings per share:				
(Loss) income from continuing operations				
Basic	<u>\$ (0.08)</u>	<u>\$ 0.08</u>	<u>\$ (0.14)</u>	<u>\$ 0.05</u>
Diluted	<u>\$ (0.08)</u>	<u>\$ 0.08</u>	<u>\$ (0.14)</u>	<u>\$ 0.05</u>
Discontinued operations				
Basic	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Net (loss) income				
Basic	<u>\$ (0.08)</u>	<u>\$ 0.08</u>	<u>\$ (0.14)</u>	<u>\$ 0.05</u>
Diluted	<u>\$ (0.08)</u>	<u>\$ 0.08</u>	<u>\$ (0.14)</u>	<u>\$ 0.05</u>
Weighted average number of common shares:				
Basic	<u>39,271</u>	<u>38,710</u>	<u>39,140</u>	<u>38,704</u>
Diluted	<u>39,271</u>	<u>39,401</u>	<u>39,140</u>	<u>39,386</u>

GEOMET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	June 30, <u>2008</u>	December 31, <u>2007</u>
Assets:		
Current assets	\$ 19,677	\$ 11,508
Properties and equipment, net	382,015	366,229
Other assets	<u>927</u>	<u>940</u>
Total assets	<u>\$ 402,619</u>	<u>\$ 378,677</u>
Liabilities and stockholders' equity:		
Current liabilities	\$ 29,712	\$ 13,571
Long-term debt	100,154	96,730
Other long-term liabilities	<u>59,220</u>	<u>49,700</u>
Total liabilities	<u>189,086</u>	<u>160,001</u>
Total stockholders' equity	<u>213,533</u>	<u>218,676</u>
Total liabilities and stockholders' equity	<u>\$ 402,619</u>	<u>\$ 378,677</u>

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six Months Ended	
	June 30,	
	<u>2008</u>	<u>2007</u>
Net cash provided by operating activities	\$ 17,574	\$ 10,819
Net cash used in investing activities	(18,549)	(29,996)
Net cash provided by financing activities	3,482	20,572
Effect of exchange rates changes on cash	(11)	28
Increase in cash and cash equivalents	<u>2,496</u>	<u>1,423</u>
Cash and cash equivalents at beginning of period	<u>1,540</u>	<u>1,415</u>
Cash and cash equivalents at end of period	<u>\$ 4,036</u>	<u>\$ 2,838</u>

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

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net (loss) income	\$ (3,177)	\$ 2,999	\$ (5,319)	\$ 1,973
Add: Interest expense, net of interest income and amounts capitalized	1,104	1,242	2,400	2,110
Add: Other expense (income)	(35)	(4)	(29)	25
Add: (Benefit) expense from income taxes	(1,235)	1,953	(2,469)	1,491
Add: Depreciation, depletion and amortization	<u>2,489</u>	<u>2,265</u>	<u>4,949</u>	<u>4,341</u>
EBITDA	(854)	8,455	(468)	9,940
Add: Unrealized losses (gains) on derivative contracts	12,098	(1,861)	20,745	2,713
Add: Stock based compensation	196	82	384	163
Add: Accretion expense	<u>84</u>	<u>52</u>	<u>168</u>	<u>103</u>
Adjusted EBITDA	<u>\$ 11,524</u>	<u>\$ 6,728</u>	<u>\$ 20,829</u>	<u>\$ 12,919</u>

The table above reconciles net (loss) income to EBITDA and Adjusted EBITDA. EBITDA is defined as net income before net interest expense, other non-operating income or losses, income taxes, and depreciation, depletion and amortization. Adjusted EBITDA is defined as EBITDA before unrealized losses (gains) on derivative contracts, stock-based compensation and accretion expense. Although EBITDA and Adjusted EBITDA are not measures 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 INCOME TO NET LOSS

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net (loss) income	\$ (3,177)	\$ 2,999	\$ (5,319)	\$ 1,973
Add: Unrealized losses (gains) on derivative contracts, net of effect of income tax	<u>8,711</u>	<u>(1,135)</u>	<u>14,168</u>	<u>1,547</u>
Adjusted net income	<u>\$ 5,534</u>	<u>\$ 1,864</u>	<u>\$ 8,849</u>	<u>\$ 3,520</u>

The table above reconciles net (loss) income to adjusted net income. Adjusted net income is calculated by eliminating the unrealized gains or losses on derivative contracts (net of tax) from net income to arrive at adjusted net income. Although adjusted net income is a non-GAAP measure, we believe it is useful information for investors because the unrealized loss relates to derivative instruments that hedge our production in future months. The loss that is associated with derivative instruments that hedge current production is recognized in net income and is not eliminated in determining adjusted net income. The adjustment better matches derivative losses with the period when the underlying hedged production occurs.

**GEOMET, INC.
OPERATING STATISTICS**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net sales volumes (MMcf)	1,856	1,761	3,727	3,467
Per Mcf data (\$/Mcf):				
Average natural gas sales price	\$ 11.15	\$ 7.63	\$ 9.73	\$ 7.29
Differential to NYMEX (1)	\$ 0.23	\$ 0.08	\$ 0.25	\$ 0.12
Average natural gas sales price realized (2)	\$ 10.35	\$ 7.66	\$ 9.57	\$ 7.67
Adjusted lease operating expense (3)	\$ 1.85	\$ 1.76	\$ 1.85	\$ 1.78
Compression expenses	\$ 0.40	\$ 0.40	\$ 0.38	\$ 0.39
Transportation expense	\$ 0.14	\$ 0.37	\$ 0.17	\$ 0.44
Production taxes	\$ 0.34	\$ 0.18	\$ 0.28	\$ 0.17
Total production expenses	\$ 2.73	\$ 2.71	\$ 2.68	\$ 2.78
Depreciation, depletion and amortization	\$ 1.34	\$ 1.29	\$ 1.33	\$ 1.25

POND CREEK FIELD

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net sales volumes (MMcf)	1,223	1,110	2,446	2,176
Per Mcf data (\$/Mcf):				
Lease operating expense	\$ 1.53	\$ 1.72	\$ 1.57	\$ 1.70
Compression expense	\$ 0.35	\$ 0.43	\$ 0.36	\$ 0.40
Transportation expense	\$ 0.22	\$ 0.58	\$ 0.25	\$ 0.69
Production taxes	\$ 0.17	\$ 0.01	\$ 0.12	\$ 0.02
Total production expenses	\$ 2.27	\$ 2.74	\$ 2.30	\$ 2.81

GURNEE FIELD

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net sales volumes (MMcf)	550	548	1,109	1,088
Per Mcf data (\$/Mcf):				
Adjusted lease operating expense (3)	\$ 2.85	\$ 2.18	\$ 2.75	\$ 2.34
Compression expense	\$ 0.56	\$ 0.40	\$ 0.52	\$ 0.43
Production taxes	\$ 0.66	\$ 0.47	\$ 0.59	\$ 0.44
Total production expenses	\$ 4.07	\$ 3.05	\$ 3.86	\$ 3.21

- (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 on derivative contracts.
- (3) Saltwater disposal fees are recorded as operating fees and other on the Statement of Operations. Lease operating expense per Mcf has been adjusted for saltwater disposal fees because the fees are not reflected in the net gas sales volumes. See Reconciliation of Adjusted Lease Operating Expense on the next page.

GEOMET, INC.
RECONCILIATION OF ADJUSTED LEASE OPERATING EXPENSE

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Lease operating expense	\$ 3,640	\$ 3,424	\$ 7,391	\$ 6,794
Deduct: Saltwater disposal fees	<u>203</u>	<u>324</u>	<u>501</u>	<u>616</u>
Adjusted lease operating expense	<u>\$ 3,437</u>	<u>\$ 3,100</u>	<u>\$ 6,890</u>	<u>\$ 6,178</u>

The table above reconciles lease operating expense to adjusted lease operating expense. Adjusted lease operating expense is calculated by eliminating the saltwater 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 saltwater disposal fees are recorded as operating fees and other on the Statement of Operations. Lease operating costs per Mcf are adjusted for saltwater 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.

GEOMET, INC.
CONSOLIDATED HEDGE POSITIONS

At June 30, 2008, the Company had the following natural gas collar positions:

Period	<u>Volume</u> <u>(MMBtu)</u>	<u>Sold</u> <u>Ceiling</u>	<u>Bought</u> <u>Floor</u>	<u>Sold</u> <u>Floor</u>
July through October 2008	984,000	\$ 10.50	\$ 7.00	\$ 5.00
November 2008 through March 2009	906,000	\$ 11.00	\$ 8.50	\$ 6.25
November 2008 through March 2009	906,000	\$ 11.00	\$ 8.84	\$ 6.00
April through October 2009	1,284,000	\$ 10.00	\$ 7.50	\$ 5.25
April through October 2009	1,284,000	\$ 10.00	\$ 8.50	\$ 6.50
November 2009 through March 2010	906,000	\$ 11.20	\$ 9.50	\$ 7.00

At June 30, 2008, the Company had the following natural gas swap positions:

Period	<u>Volume</u> <u>(MMBtu)</u>	<u>Price</u>
July through October 2008	492,000	\$ 8.00

At June 30, 2008, the Company had the following interest rate swap positions:

Description	<u>Effective date</u>	<u>Designated</u> <u>maturity date</u>	<u>Fixed rate</u>	<u>Notional amount</u>
Floating-to-fixed swap	12/14/2007	12/14/2010	3.863 %(1)	\$ 15,000,000
Floating-to-fixed swap	1/3/2008	1/4/2010	3.950 %(1)	\$ 10,000,000
Floating-to-fixed swap	3/25/2008	3/25/2010	2.380 %(1)	\$ 10,000,000
Floating-to-fixed swap	5/13/2008	5/13/2010	3.069 %(1)	\$ 5,000,000

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