

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2006	2007	2006
Gas sales.....	\$ 13,104	\$ 11,438	\$ 49,694	\$ 44,806
Other fees and other.....	333	141	1,290	141
Total revenues.....	13,437	11,579	50,984	44,947
Expenses:				
Total production expenses.....	5,109	4,995	20,354	17,116
Depreciation, depletion and amortization.....	2,404	2,127	9,092	7,876
Research and development.....	(12)	15	—	129
General and administrative.....	2,265	2,226	9,294	6,553
Realized gains on derivative contracts.....	(1,371)	(723)	(3,895)	(1,118)
Unrealized (gains) losses on derivative contracts.....	758	(2,298)	3,007	(16,877)
Total operating expenses.....	9,153	6,342	37,852	13,679
Operating income from continuing operations.....	4,284	5,237	13,132	31,268
Other expenses & interest, net.....	(1,547)	(762)	(5,149)	(3,106)
Income before income taxes, minority interest & discontinued operations.....	2,737	4,475	7,983	28,162
Income tax expense.....	1,137	861	2,987	10,866
Net income before minority interest & discontinued operations.....	1,600	3,614	4,996	17,296
Discontinued operations, net of income tax.....	8	—	173	—
Net income.....	\$ 1,608	\$ 3,614	\$ 5,169	\$ 17,296
Earnings per share:				
Income from continuing operations				
Basic.....	\$ 0.04	\$ 0.09	\$ 0.13	\$ 0.49
Diluted.....	\$ 0.04	\$ 0.09	\$ 0.13	\$ 0.48
Discontinued operations				
Basic.....	—	—	—	—
Diluted.....	—	—	—	—
Net income per common share				
Basic.....	\$ 0.04	\$ 0.09	\$ 0.13	\$ 0.49
Diluted.....	\$ 0.04	\$ 0.09	\$ 0.13	\$ 0.48
Weighted average shares outstanding – basic.....	38,996	38,635	38,823	35,018
Weighted average shares outstanding – diluted.....	39,627	39,414	39,700	35,964

GEOMET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2007	December 31, 2006
Assets:		
Current assets	\$ 11,509	\$ 17,316
Properties and equipment, net	366,229	315,873
Other assets	939	2,006
Total assets	\$ 378,677	\$ 335,195
Liabilities and stockholders' equity		
Current liabilities	\$ 13,572	\$ 18,940
Long-term debt	96,730	60,832
Other long-term liabilities	49,700	45,415
Total liabilities	160,002	125,187
Total stockholders' equity	218,675	210,008
Total liabilities and stockholders' equity	\$ 378,677	\$ 335,195

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Twelve Months Ended December 31,	
	2007	2006
Net cash provided by operating activities	\$ 17,487	\$ 21,472
Net cash used in investing activities	(53,832)	(78,669)
Net cash provided by financing activities	36,191	58,086
Effect of exchange rates changes on cash	281	(91)
Increase in cash and cash equivalents	127	798
Cash and cash equivalents at beginning of period	1,414	616
Cash and cash equivalents at end of period	\$ 1,541	\$ 1,414

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

(In thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2006	2007	2006
Net Income	\$ 1,608	\$ 3,614	\$ 5,169	\$ 17,296
Add: Interest expense, net of interest income and amounts capitalized	1,539	754	5,091	3,097
Add (Deduct): Other expense	8	7	59	10
Add (Deduct): Expense for income taxes	1,137	861	2,987	10,866
Add: Depreciation, depletion and amortization	2,404	2,127	9,092	7,876
Add: Minority interest	8	—	174	—
EBITDA.....	6,704	7,363	22,572	39,145
Add (Deduct): Unrealized losses (gains) on derivative contracts	758	(2,298)	3,007	(16,877)
Add: Stock based compensation	54	30	311	317
Add: Accretion expense.....	53	40	210	157
Adjusted EBITDA	\$ 7,569	\$ 5,135	\$ 26,100	\$ 22,742

The table above reconciles net income to EBITDA and Adjusted EBITDA. EBITDA is defined as net income before net interest expense, other non-operating income or losses, income taxes, depreciation, depletion and amortization, and minority interest. 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.
OPERATING STATISTICS**

	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net Sales Volume.....				
Total (Bcf)	1.9	1.7	7.1	6.2
Daily average (Mcf).....	20,160	18,780	19,523	17,064
Average natural gas price.....	\$ 7.07	\$ 6.64	\$ 6.97	\$ 7.19
Differential to NYMEX (1).....	\$ 0.10	\$ 0.12	\$ 0.09	\$ 0.07
Average natural gas price – realized (2).....	\$ 7.80	\$ 7.04	\$ 7.52	\$ 7.37
Expenses: (\$ per Mcf)				
Lease operating costs.....	\$ 1.96	\$ 1.97	\$ 1.96	\$ 1.86
Transportation costs.....	\$ 0.27	\$ 0.44	\$ 0.36	\$ 0.38
Compression costs	\$ 0.36	\$ 0.32	\$ 0.37	\$ 0.34
Production taxes	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Total production costs.....	<u>\$ 2.76</u>	<u>\$ 2.90</u>	<u>\$ 2.86</u>	<u>\$ 2.75</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.
OPERATING STATISTICS
POND CREEK FIELD**

	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net Sales Volume.....				
Total (Bcf)	1.2	1.1	4.5	3.8
Daily average (Mcf).....	12,694	11,534	12,311	10,531
Expenses: (\$ per Mcf)				
Lease operating costs.....	\$ 1.44	\$ 1.98	\$ 1.60	\$ 1.54
Transportation costs.....	\$ 0.40	\$ 0.72	\$ 0.56	\$ 0.62
Compression costs	\$ 0.30	\$ 0.35	\$ 0.36	\$ 0.36
Production taxes	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>
Total production costs	<u>\$ 2.16</u>	<u>\$ 3.07</u>	<u>\$ 2.53</u>	<u>\$ 2.54</u>

**GEOMET, INC.
OPERATING STATISTICS
GURNEE FIELD**

	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net Sales Volume				
Total (Bcf).....	0.6	0.6	2.2	2.0
Daily average (Mcf).....	6,373	6,133	6,122	5,343
Expenses: (\$ per Mcf)				
Lease operating costs	\$ 3.33	\$ 2.29	\$ 3.05	\$ 2.90
Transportation costs	\$ —	\$ —	\$ —	\$ —
Compression costs.....	\$ 0.54	\$ 0.33	\$ 0.47	\$ 0.38
Production taxes	<u>\$ 0.41</u>	<u>\$ 0.40</u>	<u>\$ 0.41</u>	<u>\$ 0.40</u>
Total production costs.....	<u>\$ 4.28</u>	<u>\$ 3.02</u>	<u>\$ 3.93</u>	<u>\$ 3.68</u>

GEOMET, INC.
CONSOLIDATED HEDGE POSITIONS

At December 31, 2007, the Company had the following natural gas collar positions:

<u>Period</u>	<u>Volume MMBtu</u>	<u>Weighted Average Price per MMBtu</u>		
		<u>Sold Cap</u>	<u>Bought Floor</u>	<u>Sold Floor</u>
3 Way Collars				
January 2008 – March				
2008	728,000	\$ 14.80	\$ 9.00	\$ 6.00
Summer 2008 (1)	1,712,000	\$ 10.50	\$ 7.00	\$ 5.00
Winter 2008/2009 (2)	906,000	\$ 11.00	\$ 8.50	\$ 6.25
Summer 2009 (1)	1,284,000	\$ 10.00	\$ 7.50	\$ 5.25
Traditional Collar				
January 2008 – March				
2008	364,000	\$ 11.25	\$ 8.25	

- (1) Summer – April through October
(2) Winter – November through March

At December 31, 2007, the Company had the following natural gas swap position:

Period	Volume in MMBtu's	Price
Summer 2008	856,000	\$ 8.00

At December 31, 2007, the Company had the following interest rate swap position:

Description	Effective date	Designated maturity date	Fixed rate	Notional amount
Floating-to-fixed swap	12/14/2007	12/14/2010	3.86% (1)	\$ 15,000,000

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

Subsequent to December 31, 2007, the Company entered into the following natural gas collar positions:

<u>Period</u>	<u>Volume MMBtu</u>	<u>Weighted Average Price per MMBtu</u>		
		<u>Sold Cap</u>	<u>Bought Floor</u>	<u>Sold Floor</u>
3 Way Collars				
Winter 2008 / 2009	906,000	\$ 11.00	\$ 8.65	\$ 6.00
Summer 2009	1,284,000	\$ 10.00	\$ 8.50	\$ 6.50
Winter 2009 / 2010	906,000	\$ 11.70	\$ 9.50	\$ 7.00

- (1) Summer – April through October
(2) Winter – November through March

Subsequent to December 31, 2007, the Company entered into the following interest rate swap position:

Description	Effective date	Designated maturity date	Fixed rate	Notional amount
Floating-to-fixed swap	1/3/2008	1/4/2010	3.95% (1)	\$ 10,000,000

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