

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

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Gas sales	\$ 9,884	\$ 9,453
Operating fees and other	74	98
Total revenues	9,958	9,551
Expenses:		
Total production expenses	4,320	6,386
Depreciation, depletion and amortization	1,645	3,037
Impairment of gas properties	-	139,713
General and administrative	1,478	2,973
Realized gains on derivative contracts	(1,460)	(2,723)
Unrealized gains on derivative contracts	(7,642)	(186)
Total operating (gains) expenses	(1,659)	149,200
Operating income (loss)	11,617	(139,649)
Other expenses & interest, net	(1,236)	(974)
Income (loss) before income taxes	10,381	(140,623)
Income tax expense (benefit)	4,354	(52,897)
Net income (loss)	\$ 6,027	\$ (87,726)
Income (loss) per share:		
Net income (loss)		
Basic	\$ 0.15	\$ (2.25)
Diluted	\$ 0.15	\$ (2.25)
Weighted average number of common shares:		
Basic	39,159	38,924
Diluted	39,237	38,924

GEOMET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Assets:		
Current assets	\$ 14,915	\$ 9,054
Properties and equipment, net of accumulated depreciation, depletion, amortization and impairment of gas properties	98,773	98,698
Deferred income taxes	49,858	\$ 51,805
Other assets	3,458	1,371
Total assets	<u>\$ 167,004</u>	<u>\$ 160,928</u>
Liabilities and stockholders' equity:		
Current liabilities	\$ 11,188	\$ 9,089
Long-term debt	117,627	119,996
Other long-term liabilities	5,062	4,935
Total liabilities	<u>133,877</u>	<u>134,020</u>
Total stockholders' equity	<u>33,127</u>	<u>26,908</u>
Total liabilities and stockholders' equity	<u>\$ 167,004</u>	<u>\$ 160,928</u>

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended	
	March 31,	
	2010	2009
Net cash provided by operating activities	\$ 4,736	\$ 2,193
Net cash used in investing activities	(1,417)	(7,131)
Net cash (used in) provided by financing activities	(3,251)	4,441
Effect of exchange rates changes on cash	20	(56)
Increase (decrease) in cash and cash equivalents	88	(553)
Cash and cash equivalents at beginning of period	974	2,097
Cash and cash equivalents at end of period	<u>\$ 1,062</u>	<u>\$ 1,544</u>

**GEOMET, INC.
OPERATING STATISTICS**

	Three Months Ended March 31,	
	2010	2009
Net sales volumes (MMcf)	1,820	1,887
Per Mcf data (\$/Mcf):		
Average natural gas sales price	\$ 5.43	\$ 5.01
Differential to NYMEX (1)	\$ 0.13	\$ 0.11
Average natural gas sales price realized (2)	\$ 6.23	\$ 6.45
Adjusted lease operating expense (3) (4)	\$ 1.67	\$ 2.37
Compression expenses	\$ 0.38	\$ 0.44
Transportation expense	\$ 0.17	\$ 0.33
Production taxes (5)	\$ 0.11	\$ 0.19
Total production expenses, as adjusted (3) (4)	\$ 2.33	\$ 3.33
Depletion	\$ 0.83	\$ 1.52

POND CREEK FIELD

	Three Months Ended March 31,	
	2010	2009
Net sales volumes (MMcf)	1,295	1,291
Per Mcf data (\$/Mcf):		
Lease operating expense	\$ 1.33	\$ 1.73
Compression expense	\$ 0.34	\$ 0.31
Transportation expense	\$ 0.24	\$ 0.46
Production taxes	\$ 0.18	\$ 0.15
Total production expenses	\$ 2.09	\$ 2.65

GURNEE FIELD

	Three Months Ended March 31,	
	2010	2009
Net sales volumes (MMcf)	474	557
Per Mcf data (\$/Mcf):		
Adjusted lease operating expense (3) (4)	\$ 1.98	\$ 2.98
Compression expense	\$ 0.37	\$ 0.59
Production taxes (5)	\$ (0.07)	\$ 0.31
Total production expenses, as adjusted (3) (4)	\$ 2.28	\$ 3.88

-
- (1) The difference between the average natural gas price for the period, before the impact of gains on derivative contracts, 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 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 decrease in adjusted lease operating expense since the prior year is primarily due to a company-wide cost reduction strategy implemented in April 2009.

- (5) The decrease in production taxes per Mcf was due to a refund received in March 2010 for production taxes related to our Gurnee field.

GEOMET, INC.
CONSOLIDATED DERIVATIVE CONTRACT POSITIONS

At March 31, 2010, the Company had the following natural gas collar positions:

<u>Period</u>	<u>Volume (MMBtu)</u>	<u>Sold Ceiling</u>	<u>Bought Floor</u>	<u>Sold Floor</u>
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	<u>604,000</u>	\$ 7.45	\$ 6.50	\$ -
	<u>2,316,000</u>			

At March 31, 2010, the Company had the following natural gas swap positions:

<u>Period</u>	<u>Volume (MMBtu)</u>	<u>Price</u>
April through October 2010	856,000	\$ 5.70
April through October 2010	642,000	\$ 6.30
November 2010 through March 2011	604,000	\$ 6.67
November 2010 through March 2011	906,000	\$ 7.27
April 2011 through October 2011	856,000	\$ 6.37
April 2011 through October 2011	856,000	\$ 5.37
November 2011 through March 2012	608,000	\$ 7.12
November 2011 through March 2012	608,000	\$ 6.12
April 2012 through October 2012	856,000	\$ 5.73
November 2012 through March 2013	<u>604,000</u>	\$ 6.42
	<u>7,396,000</u>	

At March 31, 2010, the Company had the following interest rate swap positions:

<u>Description</u>	<u>Effective date</u>	<u>Designated maturity date</u>	<u>Fixed rate (2)</u>	<u>Notional amount</u>
Floating-to-fixed swap	12/14/2007	12/14/2010	3.86%	\$ 15,000,000
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%	\$ <u>5,000,000</u>
				\$ <u>25,000,000</u>

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

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

(In thousands)

	Three Months Ended	
	March 31,	
	2010	2009
Net income (loss)	\$ 6,027	\$ (87,726)
Add: Interest expense, net of interest income and amounts capitalized	1,218	973
Add: Other expense	18	1
Add (Deduct): Income tax expense (benefit)	4,354	(52,897)
Add: Depreciation, depletion and amortization	1,645	3,037
Add: Impairment of gas properties	-	139,713
(Deduct): Unrealized gains on derivative contracts	(7,642)	(186)
(Deduct) Add: Stock based compensation	(10)	312
Add: Accretion expense	121	107
Adjusted EBITDA	<u>\$ 5,731</u>	<u>\$ 3,334</u>

The table above reconciles net income (loss) to Adjusted EBITDA. Adjusted EBITDA is defined as net income (loss) before net interest expense, other non-operating income, income taxes, depreciation, depletion and amortization, and impairment of gas properties before unrealized 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 INCOME (LOSS) TO NET INCOME (LOSS)

(In thousands)

	Three Months Ended	
	March 31,	
	2010	2009
Net income (loss)	\$ 6,027	\$ (87,726)
Impairment of gas properties	-	139,713
Unrealized gains on derivative contracts, net of tax	(7,642)	(186)
Effect of income taxes	<u>2,919</u>	<u>(52,787)</u>
Adjusted Net Income (Loss)	<u>\$ 1,304</u>	<u>\$ (986)</u>

The table above reconciles net income (loss) to Adjusted Net Income (Loss). Adjusted Net Income (Loss) is calculated by eliminating unrealized gains on derivative contracts from net income (loss), impairments to our gas properties, and their related tax effects to arrive at Adjusted Net Income (Loss). The tax effects are determined by calculating the tax provision for GAAP net income (loss) and comparing the results to the tax provision for Adjusted Net Income (Loss), 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 Income (Loss) is a non-GAAP measure, we believe it is useful information for investors because the unrealized gains relate to derivative contracts that hedge our production in future months. The gains associated with derivative contracts that hedge current production are recognized in net income (loss) and are not eliminated in determining Adjusted Net Income (Loss). The adjustment better matches gains on derivative contracts with the period when the underlying hedged production occurs.

GEOMET, INC.
RECONCILIATION OF ADJUSTED LEASE OPERATING EXPENSE

(In thousands)

	Three Months Ended	
	March 31,	
	2010	2009
Lease operating expense	\$ 3,107	\$ 4,569
Deduct: Produced water disposal fees	74	98
Adjusted lease operating expense	<u>\$ 3,033</u>	<u>\$ 4,471</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 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 associated natural gas sales revenues.