

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Gas sales	\$ 18,674	\$ 11,303	\$ 54,956	\$ 36,590
Operating fees and other	<u>146</u>	<u>341</u>	<u>648</u>	<u>957</u>
Total revenues	18,820	11,644	55,604	37,547
Expenses:				
Total production expenses	5,204	4,986	15,700	15,244
Depreciation, depletion and amortization	2,524	2,347	7,472	6,688
General and administrative	2,098	2,538	7,478	7,042
Realized (gains) losses on derivative contracts	1,390	(1,228)	2,021	(2,524)
Unrealized (gains) losses on derivative contracts	<u>(21,565)</u>	<u>(464)</u>	<u>(820)</u>	<u>2,249</u>
Total operating expenses	<u>(10,349)</u>	<u>8,179</u>	<u>31,851</u>	<u>28,699</u>
Operating income from continuing operations	29,169	3,465	23,753	8,848
Other expenses & interest, net	<u>(1,084)</u>	<u>(1,468)</u>	<u>(3,455)</u>	<u>(3,602)</u>
Income before income taxes and discontinued operations	28,085	1,997	20,298	5,246
Income tax expense	<u>10,604</u>	<u>454</u>	<u>8,135</u>	<u>1,850</u>
Income from continuing operations	17,481	1,543	12,163	3,396
Discontinued operations, net of tax	<u>-</u>	<u>45</u>	<u>-</u>	<u>165</u>
Net income	<u>\$ 17,481</u>	<u>\$ 1,588</u>	<u>\$ 12,163</u>	<u>\$ 3,561</u>
Earnings per share:				
Income from continuing operations				
Basic	<u>\$ 0.45</u>	<u>\$ 0.04</u>	<u>\$ 0.31</u>	<u>\$ 0.09</u>
Diluted	<u>\$ 0.44</u>	<u>\$ 0.04</u>	<u>\$ 0.31</u>	<u>\$ 0.09</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 income				
Basic	<u>\$ 0.45</u>	<u>\$ 0.04</u>	<u>\$ 0.31</u>	<u>\$ 0.09</u>
Diluted	<u>\$ 0.44</u>	<u>\$ 0.04</u>	<u>\$ 0.31</u>	<u>\$ 0.09</u>
Weighted average number of common shares:				
Basic	<u>38,872</u>	<u>38,727</u>	<u>38,822</u>	<u>38,707</u>
Diluted	<u>39,839</u>	<u>39,594</u>	<u>39,714</u>	<u>39,634</u>

GEOMET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 30, 2008	December 31, 2007
Assets:		
Current assets	\$ 16,111	\$ 11,509
Properties and equipment, net.....	401,058	366,229
Other assets	1,245	939
Total assets.....	\$ 418,414	\$ 378,677
Liabilities and stockholders' equity:		
Current liabilities	\$ 20,102	\$ 13,571
Long-term debt	108,636	96,730
Other long-term liabilities.....	58,970	49,700
Total liabilities	187,708	160,001
Total stockholders' equity.....	230,706	218,676
Total liabilities and stockholders' equity	\$ 418,414	\$ 378,677

GEOMET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended September 30,	
	2008	2007
Net cash provided by operating activities	\$ 24,970	\$ 16,240
Net cash used in investing activities	(36,512)	(44,837)
Net cash provided by financing activities	11,966	28,780
Effect of exchange rates changes on cash	(11)	295
	413	478
Increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	1,540	1,414
	\$ 1,953	\$ 1,892
Cash and cash equivalents at end of period		

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

(In thousands)

	Three Months Ended		Nine Months Ended	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income	\$ 17,481	\$ 1,588	\$ 12,163	\$ 3,561
Add: Interest expense, net of interest income and amounts capitalized	1,102	1,441	3,502	3,551
Add: Other (income) expense	(18)	27	(47)	51
Add: Income taxes	10,604	467	8,135	1,958
Add: Depreciation, depletion and amortization	<u>2,524</u>	<u>2,347</u>	<u>7,472</u>	<u>6,688</u>
EBITDA	31,693	5,870	31,225	15,809
Deduct: Unrealized (gains) losses on derivative contracts	(21,565)	(464)	(820)	2,249
Add: Stock based compensation	102	94	486	258
Add: Accretion expense	<u>90</u>	<u>54</u>	<u>257</u>	<u>157</u>
Adjusted EBITDA	<u>\$ 10,320</u>	<u>\$ 5,554</u>	<u>\$ 31,148</u>	<u>\$ 18,473</u>

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, and depreciation, depletion and amortization. Adjusted EBITDA is defined as EBITDA before unrealized (gains) losses on derivative contracts, stock-based compensation and accretion expense. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with 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 INCOME

(In thousands)

	Three Months Ended		Nine Months Ended	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net Income	\$ 17,481	\$ 1,588	\$ 12,163	\$ 3,561
Add: Unrealized (gains) losses on derivative contracts, net of tax	<u>(13,422)</u>	<u>(358)</u>	<u>(492)</u>	<u>1,456</u>
Adjusted net income	<u>\$ 4,059</u>	<u>\$ 1,230</u>	<u>\$ 11,671</u>	<u>\$ 5,017</u>

The table above reconciles net 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. The net of tax amounts are determined by calculating the tax provision for GAAP net income, which includes unrealized (gains) losses on derivative contracts, and comparing the results to the tax provision for adjusted net income, which excludes the adjusting items. The difference in the tax provision calculations represents the tax impact of unrealized (gains) losses on derivative contracts, net of tax. 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 is a non-GAAP measure, we believe it is useful information for investors because the unrealized gain or loss relates to derivative instruments that hedge our production in future months. The gain or 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 gains and losses with the period when the underlying hedged production occurs.

**GEOMET, INC.
OPERATING STATISTICS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales volumes (MMcf)	1,821	1,804	5,548	5,271
Per Mcf data (\$/Mcf):				
Average natural gas sales price	\$ 10.26	\$ 6.26	\$ 9.91	\$ 6.94
Differential to NYMEX (1)	\$ 0.04	\$ 0.10	\$ 0.20	\$ 0.12
Average natural gas sales price realized (2)	\$ 9.49	\$ 6.95	\$ 9.54	\$ 7.42
Adjusted lease operating expense (3)	\$ 1.83	\$ 1.78	\$ 1.84	\$ 1.78
Compression expenses	\$ 0.45	\$ 0.35	\$ 0.40	\$ 0.38
Transportation expense	\$ 0.17	\$ 0.30	\$ 0.17	\$ 0.39
Production taxes	\$ 0.33	\$ 0.14	\$ 0.30	\$ 0.16
Total production expenses	\$ 2.78	\$ 2.57	\$ 2.71	\$ 2.71
Depreciation, depletion and amortization	\$ 1.39	\$ 1.30	\$ 1.35	\$ 1.27

POND CREEK FIELD

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales volumes (MMcf)	1,252	1,150	3,698	3,326
Per Mcf data (\$/Mcf):				
Lease operating expense	\$ 1.46	\$ 1.56	\$ 1.53	\$ 1.65
Compression expense	\$ 0.41	\$ 0.33	\$ 0.37	\$ 0.38
Transportation expense	\$ 0.24	\$ 0.47	\$ 0.25	\$ 0.62
Production taxes	\$ 0.19	\$ 0.01	\$ 0.15	\$ 0.01
Total production expenses	\$ 2.30	\$ 2.37	\$ 2.30	\$ 2.66

GURNEE FIELD

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales volumes (MMcf)	558	560	1,667	1,648
Per Mcf data (\$/Mcf):				
Adjusted lease operating expense (3)	\$ 2.55	\$ 2.52	\$ 2.69	\$ 2.37
Compression expense	\$ 0.55	\$ 0.47	\$ 0.53	\$ 0.45
Production taxes	\$ 0.64	\$ 0.37	\$ 0.60	\$ 0.41
Total production expenses	\$ 3.74	\$ 3.36	\$ 3.82	\$ 3.23

- (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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Lease operating expense	\$ 3,475	\$ 3,560	\$ 10,867	\$ 10,353
Deduct: Saltwater disposal fees	146	341	647	957
Adjusted lease operating expense	<u>\$ 3,329</u>	<u>\$ 3,219</u>	<u>\$ 10,220</u>	<u>\$ 9,396</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 September 30, 2008, 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>
October 2008	248,000	\$ 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 September 30, 2008, the Company had the following natural gas swap positions:

<u>Period</u>	<u>Volume (MMBtu)</u>	<u>Price</u>
October 2008	124,000	\$ 8.00

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

<u>Description</u>	<u>Effective date</u>	<u>Designated 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.