

# **NGAS RESOURCES, INC.**

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FOR IMMEDIATE RELEASE

**NEWS  
RELEASE**

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## **NGAS REPORTS FOURTH QUARTER AND FULL YEAR 2007 RESULTS**

- **Oil and Gas Production Revenue Increased 22 Percent in Fourth Quarter**
  - **2007 Production Increases 15 Percent**

**LEXINGTON, KENTUCKY, March 12, 2008.** NGAS Resources, Inc. (Nasdaq: NGAS) today reported fourth quarter 2007 total revenue increased 9 percent to \$21.0 million compared to \$19.3 million for the comparable quarter in 2006. The results were driven by a 22 percent increase in oil and gas production revenue to \$8.0 million in fourth quarter 2007, up from \$6.5 million in the same period of the prior year. Gas transmission and compression revenue rose 14 percent on increased fees for moving third party gas through the open-access section of the Company's gathering system.

In fourth quarter 2007, the Company reported a net income of \$256,655 or \$0.01 earnings per share. This compares favorably with net income of \$507,789, or \$0.02 per share, in fourth quarter 2006, which benefited from an after tax gain of \$1.6 million, amounting to \$0.05 per share, on the sale of some non-core assets. Discretionary cash flow per share was \$0.18 compared to \$0.25. A reconciliation of this non-GAAP measure is provided at the end of this release.

William S. Daugherty, President and CEO of NGAS Resources commented, "During the fourth quarter, we achieved an important milestone, with average daily production of 10,000 Mcfe." Mr. Daugherty added, "We are drilling three Devonian Shale horizontal test wells in our Leatherwood field. Pending results, we could potentially drill 20 horizontal wells in our core acreage by year end. With our extensive acreage position in the southern Appalachian Basin, horizontal drilling has the potential to significantly increase our production and reserves."

### **Operational and Financial Highlights for 4Q 2007 versus 4Q 2006:**

- Average daily production was 10.0 Mmcf versus 8.5 Mcfe

- Total production volumes were up 18 percent to 0.921 Bcfe
- 48 gross (21.89 net) wells drilled as compared to 46 gross (16.82 net)
- Average realized natural gas price was \$8.06/Mcf versus \$8.13
- Oil and gas revenue increased 20 percent to \$8.0 million from \$6.5 million
- Gas transmission and compression revenue rose 14 percent to \$2.1 million
- Discretionary cash flow was \$4.3 million versus \$5.7 million
- Capital expenditures totaled \$11.2 million
- Average net working interest was 88 percent in operated wells versus 45 percent

#### **Fourth Quarter 2007 Overview**

During the quarter, the Company drilled 48 gross (21.89 net) wells. Contract drilling revenue was flat with the prior year at \$10.9 million reflecting a change in the Company's business model to accelerate organic growth by limiting the use of drilling programs to participation in non-operated initiatives.

Depreciation, depletion and amortization expenses were \$3.2 million in the fourth quarter 2007 compared to \$2.8 million in the fourth quarter of 2006. The increase was driven by asset base expansion and additions to infrastructure.

Selling, general and administrative expenses in the fourth quarter of 2007 were \$3.3 million compared to \$2.9 million in the prior year. This was partially driven by increased levels of staffing to support the growing business. As a percentage of revenue, SG&A costs were 15.7 percent compared to 15.2 percent in fourth quarter 2006.

Interest expense in the quarter was \$1.7 million compared to \$1.3 million in the same period last year. This reflects increased credit facility borrowings for drilling activities and infrastructure expansion.

#### **Operational and Financial Highlights for Full Year 2007 versus Full Year 2006:**

- Average daily production was 9.0 Mmcfe versus 7.8 Mmcfe
- Total production volumes were up 15 percent to 3.3 Bcfe
- 217 gross (82.15 net) wells drilled as compared to 226 gross (65.46 net) wells drilled
- Average realized natural gas price was \$8.19 Mcf versus \$8.23
- Oil and gas revenue increased 16 percent to \$28.1 million from \$24.2 million
- Discretionary cash flow was \$13.1 million versus \$16.3 million
- Capital expenditures totaled \$51.2 million
- 63 miles of pipeline added to gathering system

**Conference Call Information**

A conference call will be held at 4:30 p.m. (Eastern) today to discuss 4Q 2007 results. The call in number is 888-256-1013 or 913-312-9303 (international). Conference ID number is 4466326. The conference call will be webcast and can be accessed by logging onto [www.ngas.com](http://www.ngas.com) or by cutting and pasting the following link into your browser: <http://viaavid.net/dce.aspx?sid=00004B40>. A slide presentation, which highlights management's discussion points, will be available on the Company's website. For those unable to listen to the live presentation, the webcast will be archived on the Company's website. A telephone replay will also be available for one week beginning at 7:30 p.m. (Eastern), March 12, 2008, and can be accessed by dialing 888-203-1112 or 719-457-0820 (international) and entering pin number 4466326.

**About NGAS Resources**

NGAS Resources is an independent exploration and production company focused on unconventional natural gas basins in the United States that provide repeatable drilling opportunities, principally in the southern portion of the Appalachian basin. Additional information, including the Company's most recent periodic reports and proxy statement, can be accessed on its website at [www.ngas.com](http://www.ngas.com).

**Forward Looking Statement**

This release includes forward-looking statements within the meaning of the Private Litigation Reform Act of 1995 relating to matters such as anticipated operating and financial performance and prospects. Actual performance and prospects may differ materially from anticipated results due to economic conditions and other risks, uncertainties and circumstances partly or totally outside the control of the Company, including risks of production variances from expectations, volatility of product prices, the level of capital expenditures required to fund drilling and the ability of the Company to implement its business strategy. These and other risks are described in the Company's periodic reports filed with the United States Securities and Exchange Commission.

**NGAS RESOURCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
REVENUE	(Unaudited)			
Contract drilling.....	\$ 10,898,977	\$ 10,941,439	\$ 34,334,829	\$ 50,108,545
Oil and gas production .....	7,974,594	6,532,665	28,148,689	24,233,102
Gas transmission and compression .....	<u>2,090,358</u>	<u>1,835,824</u>	<u>7,719,308</u>	<u>5,478,642</u>
Total revenue.....	<u>20,963,929</u>	<u>19,309,928</u>	<u>70,202,826</u>	<u>79,820,289</u>
DIRECT EXPENSES				
Contract drilling .....	8,381,949	8,507,733	26,773,028	39,231,521
Oil and gas production .....	2,292,945	2,186,995	7,648,558	6,687,874
Gas transmission and compression .....	994,571	1,387,556	3,657,977	3,094,504
Impairment of oil and gas assets .....	--	346,718	964,000	346,718
Total direct expenses .....	<u>11,669,465</u>	<u>12,429,002</u>	<u>39,043,563</u>	<u>49,360,617</u>
OTHER EXPENSES (INCOME)				
Selling, general and administrative .....	3,283,997	2,926,677	12,920,591	13,201,107
Options, warrants and deferred compensation ..	137,679	346,975	1,069,306	1,558,676
Depreciation, depletion and amortization .....	3,255,831	2,828,248	10,416,696	8,266,056
Bad debt expense .....	--	--	215,000	--
Interest expense.....	1,736,936	1,332,727	6,330,760	4,321,815
Interest income.....	(108,849)	(67,537)	(323,655)	(356,302)
Loss (gain) on sale of assets.....	4,997	(2,723,007)	54,304	(3,197,834)
Other, net.....	<u>61,221</u>	<u>77,030</u>	<u>53,434</u>	<u>519,692</u>
Total other expenses.....	<u>8,371,812</u>	<u>4,721,113</u>	<u>30,736,436</u>	<u>24,313,210</u>
INCOME BEFORE INCOME TAXES.....	922,652	2,159,813	422,827	6,146,462
INCOME TAX EXPENSE.....	<u>665,997</u>	<u>1,652,024</u>	<u>1,239,424</u>	<u>4,154,024</u>
NET INCOME (LOSS) .....	<u>\$ 256,655</u>	<u>\$ 507,789</u>	<u>\$ (816,597)</u>	<u>\$ 1,992,438</u>
NET INCOME (LOSS) PER SHARE				
Basic .....	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ (0.04)</u>	<u>\$ 0.09</u>
Diluted .....	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ (0.04)</u>	<u>\$ 0.09</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic.....	<u>23,551,868</u>	<u>21,652,254</u>	<u>22,240,429</u>	<u>21,510,594</u>
Diluted .....	<u>24,333,498</u>	<u>22,727,571</u>	<u>22,240,429</u>	<u>22,922,615</u>

**NGAS RESOURCES, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Current assets:		
Cash.....	\$ 2,816,678	\$ 14,431,977
Accounts receivable.....	7,909,943	9,108,574
Prepaid expenses and other current assets.....	505,778	1,108,734
Loans to related parties.....	7,654	7,147
Total current assets.....	11,240,053	24,656,432
Bonds and deposits.....	535,445	533,695
Oil and gas properties.....	183,823,702	144,217,532
Property and equipment.....	3,689,636	3,342,571
Loans to related parties.....	249,410	257,430
Deferred financing costs.....	1,706,852	2,264,022
Other non-current assets.....	3,242,790	2,634,271
Goodwill.....	313,177	313,177
Total assets.....	<b>\$204,801,065</b>	<b>\$178,219,130</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable.....	\$ 6,649,809	\$ 9,286,849
Accrued liabilities.....	3,655,684	3,998,978
Customer drilling deposits.....	2,857,806	12,173,905
Long term debt, current portion.....	388,856	24,000
Total current liabilities.....	13,552,155	25,483,732
Deferred income taxes.....	9,218,770	8,035,779
Long term debt.....	80,160,915	66,922,744
Deferred compensation.....	1,960,020	1,419,776
Total liabilities.....	<b>104,891,860</b>	<b>101,862,031</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
<i>Authorized:</i>		
5,000,000 Preferred shares		
100,000,000 Common shares		
<i>Issued:</i>		
26,136,064 Common shares (2006 – 21,788,551).....	108,842,526	84,531,832
21,100 Common shares held in treasury, at cost.....	(23,630)	(23,630)
Paid-in capital – options and warrants.....	3,484,148	3,073,287
<i>Contributed surplus</i> .....	1,043,222	1,396,074
<i>To be issued:</i>		
9,185 Common shares (2006 – 9,185).....	45,925	45,925
	113,392,191	89,023,488
Deficit.....	(13,482,986)	(12,666,389)
Total shareholders' equity.....	<b>99,909,205</b>	<b>76,357,099</b>
Total liabilities and shareholders' equity.....	<b>\$204,801,065</b>	<b>\$178,219,130</b>

**NGAS RESOURCES, INC.**

**CASH FLOW RECONCILIATION**

Discretionary cash flow represents net income, as determined under generally accepted accounting principles (“GAAP”), with certain non-cash items added back. Although a non-GAAP measure, discretionary cash flow is widely accepted as a financial indicator of an oil and gas company’s ability to generate cash that can be used to internally fund exploration and development activities and to service debt. This measure may also be used in the valuation, comparison, rating and investment recommendations for companies in the oil and gas exploration and production industry. Cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities or as an indicator of cash flows or measure of liquidity.

(Unaudited)

	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Net income.....	\$ 256,655	\$ 507,789	\$ (816,597)	\$ 1,992,438
DD&A .....	3,255,831	2,828,248	10,416,696	8,266,056
Options, warrants and deferred compensation.....	137,679	346,975	1,069,306	1,558,676
Bad Debt Expense .....	--	--	215,000	--
Impairment of oil and gas assets.....	--	346,718	964,000	346,718
Deferred taxes.....	<u>665,997</u>	<u>1,652,024</u>	<u>1,239,424</u>	<u>4,154,024</u>
DISCRETIONARY CASH FLOW .....	<u>\$4,316,162</u>	<u>\$5,681,754</u>	<u>\$13,087,829</u>	<u>\$16,317,912</u>
DISCRETIONARY CASH FLOW PER SHARE .....	<u>\$ 0.18</u>	<u>\$ 0.25</u>	<u>\$ 0.59</u>	<u>\$ 0.71</u>

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