

NGAS RESOURCES, INC.

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FOR IMMEDIATE RELEASE

**NEWS
RELEASE**

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NGAS REPORTS THIRD QUARTER 2008 AND NINE MONTH RESULTS

- Earnings per Share were \$0.04 in 3Q 2008
- Oil and Gas Revenue Increased 68 Percent

LEXINGTON, KENTUCKY, November 5, 2008. NGAS Resources, Inc. (Nasdaq: NGAS) today reported a 55 percent increase in third quarter 2008 total revenue to \$23.6 million compared to \$15.2 million in the comparable quarter in 2007. These results were driven by a 68 percent increase in oil gas production revenue, reflecting a 14 percent increase in production volumes and higher commodity prices. Gas transmission, compression and processing revenue rose 43 percent from higher gas gathering and liquids processing fees.

The company reported net income of \$0.9 million, or \$0.04 per share in third quarter 2008 compared with a net loss of \$59 thousand in the same period of the prior year. Discretionary cash flow was \$6.0 million or \$0.22 per share in third quarter 2008 compared to \$3.0 million or \$0.14 per share. (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, "I am excited with the success we are having with our horizontal drilling program. This drilling program was a key contributor to the strong results we reported in the third quarter." Mr. Daugherty added, "Unprecedented volatility in the capital markets, coupled with sharp declines in oil and natural gas prices, have caused us to reduce our 2009 capital spending budget from \$50 million to \$32.5 million. Given current market conditions, we only plan to drill 34 horizontal wells in 2009." Mr. Daugherty continued, "Despite the challenging environment, NGAS is positioned to continue growing and creating value."

Operational and Financial Highlights for 3Q 2008 versus 3Q 2007:

- ❖ Total production volumes were up 14 percent to 0.95 Bcfe
- ❖ Average daily production was 10.3 Mmcfe versus 9.0 Mmcfe
- ❖ Average working interest 82.1% versus 43.3% on new operated wells

- ❖ 16.6 net wells compared to 14.8
- ❖ Average natural gas price was \$9.80/Mcf versus \$7.64
 - Average price for the Appalachian gas portion was \$10.16 in 3Q 2008
- ❖ Oil and gas revenue increased 68 percent to \$11.2 million
- ❖ Gas transmission, compression and processing revenue rose 43 percent to \$2.6 million
- ❖ Discretionary cash flow was \$6.0 million versus \$3.0 million
- ❖ Capital expenditures totaled \$11.8 million
- ❖ 11 miles of pipeline added to gathering system that now spans 647 miles

Third Quarter 2008 Expense Review

Depreciation, depletion and amortization expenses were \$3.3 million in the third quarter 2008 compared to \$2.5 million in the third quarter of 2007. The increase was driven by asset base expansion and extension of gathering systems.

Selling, general and administrative expenses were \$3.6 million, up from \$2.6 million in the same quarter of 2007. This primarily reflects the timing and extent of marketing costs for sponsored drilling programs and increasing general overhead. As a percentage of revenue, SG&A costs were 15.1 percent compared to 16.9 percent in third quarter 2007 as the company was able to leverage the costs over a higher revenue base.

Interest expense in the quarter was \$1.5 million compared to \$1.8 million in the same period last year driven by lower variable interest rates on the company's line of credit.

Operational and Financial Highlights for Nine Months 2008 versus Nine Months 2007:

- ❖ Total production volumes were up 16 percent to 2.8 Bcfe
- ❖ Average daily production was 10.1 Mmcfe versus 8.7 Mmcfe
- ❖ 71.8 net wells compared to 60.26
- ❖ Average natural gas price was \$9.40 Mcf versus \$8.25
 - Average price for the Appalachian gas portion was \$9.92 in nine months 2008
- ❖ Oil and gas revenue increased 53 percent to \$30.9 million
- ❖ Discretionary cash flow was \$16.8 million versus \$8.8 million
- ❖ Capital expenditures totaled \$38.9 million

Conference Call Information

Management will host a conference call today at 4:30 p.m. (Eastern) to discuss 3Q 2008 results. The call in number is 888-204-4394 or 913-312-1432 (international). Conference ID number is 6498200. The

conference call will be webcast and can be accessed by logging onto www.ngas.com or by pasting the following link into your browser: <http://viaavid.net/dce.aspx?sid=000056BD>.

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), November 5, 2008, and can be accessed by dialing 888-203-1112 or 719-457-0820 (international) and entering pin number 6498200.

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.

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
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
REVENUE				
Contract drilling.....	\$ 9,799,561	\$ 6,730,929	\$ 24,027,035	\$ 23,435,852
Oil and gas production	11,222,879	6,690,916	30,891,933	20,174,095
Gas transmission, compression and processing.....	<u>2,567,852</u>	<u>1,793,970</u>	<u>7,662,504</u>	<u>5,628,950</u>
Total revenue	<u>23,590,292</u>	<u>15,215,815</u>	<u>62,581,472</u>	<u>49,238,897</u>
DIRECT EXPENSES				
Contract drilling	7,570,698	5,291,342	18,447,544	18,391,079
Oil and gas production	3,922,629	1,873,413	9,794,679	5,355,613
Gas transmission, compression and processing.....	1,039,597	783,970	3,087,391	2,663,406
Impairment of oil and gas assets	--	--	--	964,000
Total direct expenses	<u>12,532,924</u>	<u>7,948,725</u>	<u>31,329,614</u>	<u>27,374,098</u>
OTHER EXPENSES (INCOME)				
Selling, general and administrative	3,551,908	2,572,348	10,282,485	9,636,594
Options, warrants and deferred compensation ..	229,209	261,327	601,691	931,627
Depreciation, depletion and amortization	3,318,320	2,493,219	9,451,272	7,160,865
Bad debt expense	342,195	215,000	749,035	215,000
Interest expense.....	1,457,300	1,834,852	4,138,913	4,593,824
Interest income.....	(10,774)	(81,063)	(89,577)	(214,806)
Other, net.....	<u>87,584</u>	<u>(96,385)</u>	<u>115,939</u>	<u>41,520</u>
Total other expenses	<u>8,975,742</u>	<u>7,199,298</u>	<u>25,249,758</u>	<u>22,364,624</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>2,081,626</u>	<u>67,792</u>	<u>6,002,100</u>	<u>(499,825)</u>
INCOME TAX EXPENSE.....	<u>1,136,441</u>	<u>126,356</u>	<u>3,372,464</u>	<u>573,427</u>
NET INCOME (LOSS)	<u>\$ 945,185</u>	<u>\$ (58,564)</u>	<u>\$ 2,629,636</u>	<u>\$ (1,073,252)</u>
NET INCOME (LOSS) PER SHARE				
Basic	<u>\$ 0.04</u>	<u>\$ 0.00</u>	<u>\$ 0.10</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ 0.04</u>	<u>\$ 0.00</u>	<u>\$ 0.10</u>	<u>\$ (0.05)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic.....	<u>26,508,570</u>	<u>21,804,959</u>	<u>26,364,158</u>	<u>21,798,275</u>
Diluted	<u>26,977,438</u>	<u>21,804,959</u>	<u>27,019,313</u>	<u>21,798,275</u>

NGAS RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	<u>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Current assets:	(Unaudited)	
Cash	\$ 682,209	\$ 2,816,678
Accounts receivable.....	13,144,876	7,909,943
Prepaid expenses and other current assets	733,316	505,778
Loans to related parties.....	<u>7,445</u>	<u>7,654</u>
Total current assets	14,567,846	11,240,053
Bonds and deposits	666,195	535,445
Oil and gas properties	213,371,524	183,823,702
Property and equipment	3,464,974	3,689,636
Loans to related parties	245,081	249,410
Deferred financing costs	1,729,957	1,706,852
Other non-current assets.....	--	3,242,790
Goodwill	<u>313,177</u>	<u>313,177</u>
Total assets	<u>\$234,358,754</u>	<u>\$204,801,065</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 10,334,393	\$ 6,649,809
Accrued liabilities.....	4,125,283	3,655,684
Customer drilling deposits.....	--	2,857,806
Deferred compensation.....	2,229,086	--
Long term debt, current portion.....	<u>24,000</u>	<u>388,856</u>
Total current liabilities	16,712,762	13,552,155
Deferred income taxes	12,591,234	9,218,770
Long term debt	100,998,235	80,160,915
Deferred compensation	<u>--</u>	<u>1,960,020</u>
Total liabilities.....	<u>130,302,231</u>	<u>104,891,860</u>
SHAREHOLDERS' EQUITY		
Capital stock		
<i>Authorized:</i>		
5,000,000 Preferred shares		
100,000,000 Common shares		
<i>Issued:</i>		
26,543,646 Common shares (2007 – 26,136,064)	110,626,912	108,842,526
21,100 Common shares held in treasury, at cost.....	(23,630)	(23,630)
Paid-in capital – options and warrants	3,482,083	3,484,148
<i>Contributed surplus</i>	778,583	1,043,222
<i>To be issued:</i>		
9,185 Common shares.....	<u>45,925</u>	<u>45,925</u>
	114,909,873	113,392,191
Deficit	<u>(10,853,350)</u>	<u>(13,482,986)</u>
Total shareholders' equity	<u>104,056,523</u>	<u>99,909,205</u>
Total liabilities and shareholders' equity	<u>\$234,358,754</u>	<u>\$204,801,065</u>

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income/(loss).....	\$ 945,185	\$ (58,564)	\$2,629,636	\$(1,073,252)
DD&A	3,318,320	2,493,219	9,451,272	7,160,865
Options, warrants and deferred compensation.....	229,209	261,327	601,691	931,627
Bad debt expense	342,195	215,000	749,035	215,000
Impairment of oil and gas assets ⁽¹⁾	--	--	--	964,000
Deferred taxes.....	<u>1,136,441</u>	<u>126,356</u>	<u>3,372,464</u>	<u>573,427</u>
DISCRETIONARY CASH FLOW	<u>\$ 5,971,350</u>	<u>\$ 3,037,338</u>	<u>\$16,804,098</u>	<u>\$8,771,667</u>
DISCRETIONARY CASH FLOW				
PER SHARE	<u>\$ 0.22</u>	<u>\$ 0.14</u>	<u>\$ 0.62</u>	<u>\$ 0.40</u>

(1) Reflects a write-off of suspended exploratory well costs for the remaining 27 wells in a 30-well project to test the shallow New Albany shale on the eastern rim of the Illinois basin in western Kentucky.