

# NGAS RESOURCES, INC.

120 Prosperous Place, Suite 201, Lexington, KY 40509

FOR IMMEDIATE RELEASE

**NEWS  
RELEASE**

Contact: Michael P. Windisch, CFO  
Phone: (859) 263-3948  
Fax: (859) 263-4228  
E-mail: [ngas@ngas.com](mailto:ngas@ngas.com)

## NGAS REPORTS SECOND QUARTER AND FIRST HALF 2009 RESULTS

- **Oil and Gas Production Increases 5 Percent**

**LEXINGTON, KENTUCKY, August 4, 2009.** NGAS Resources, Inc. (Nasdaq: NGAS) today reported second quarter 2009 total revenue of \$14.7 million compared to \$21.3 million in the second quarter of 2008. Higher production volumes were offset by significantly lower commodity prices. This contributed to a net loss of \$975,000 or \$0.04 per share in the second quarter 2009 compared with net income of \$1.5 million or \$0.06 a year ago. Discretionary cash flow was \$2.9 million or \$0.11 per share in second quarter of 2009. (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 “The operating environment remains challenging; demand is down, inventories are rising and natural gas prices remain depressed. We have addressed these challenges head on by monetizing our gathering system and reducing our drilling activities. Our year over year production growth reflects the success of our horizontal drilling program, while the sequential quarterly decline reflects our reduced drilling.” Mr. Daugherty added, “Our increased liquidity from the recent sale of our gas gathering assets, coupled with our multi-faceted business model, and existing hedge position provides us with the flexibility to operate successfully in this environment.”

### **Operational and Financial Highlights for 2Q 2009 versus 2Q 2008:**

- Total production volumes were 1.0 Bcfe compared to 0.95 Bcfe
- Average daily production was 11.0 Mmcfe versus 10.4 Mmcfe
- Average natural gas price was \$6.47/Mcf versus \$9.88
  - Average price for the Appalachian gas portion was \$7.68
- Gas transmission, compression and processing revenue rose 2.5 percent to \$2.6 million
- Discretionary cash flow was \$2.9 million versus \$6.7 million

## **Second Quarter 2009 Expense Review**

Depreciation, depletion and amortization expenses were \$3.7 million in the second quarter 2009 compared to \$3.3 million in the second quarter of 2008. The increase was driven by asset base expansion.

Selling, general and administrative expenses were down 26 percent in the 2009 second quarter to \$2.6 million from \$3.4 million in the same quarter of 2008. This primarily reflects the timing and extent of marketing costs for sponsored drilling partnerships. As a percentage of revenue, SG&A costs were 17.4 percent compared to 16.1 percent in second quarter 2008.

Interest expense in the quarter was \$1.5 million compared to \$1.4 million in the same period last year, reflecting higher borrowings on the company's line of credit.

Subsequent to quarter's end, NGAS closed on the sale of 50% of its gas gathering assets and utilized the entire proceeds of \$28 million to reduce outstanding borrowings. As of August 4, 2009, the company's borrowings under its credit facility were \$46 million.

## **Operational and Financial Highlights for First Half 2009 versus First Half 2008:**

- Total production volumes were 2.0 Bcfe compared to 1.8 Bcfe
- Average daily production was 11.3 Mmcfe versus 10.1 Mmcfe
- Average natural gas price was \$6.61 Mcf versus \$9.21
  - Average price for the Appalachian gas portion was \$7.89 in first half of 2009
- Discretionary cash flow was \$6.9 million versus \$10.9 million

## **Conference Call Information**

Management will host a conference call today at 4:30 p.m. (Eastern) to discuss 2Q 2009 results. The call-in number is 888-663-2259 or 913-312-1489 (international). Conference ID number is 4365447. The conference call will be webcast and can be accessed by logging onto [www.ngas.com](http://www.ngas.com). 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), August 4, 2009, and can be accessed by dialing 888-203-1112 or 719-457-0820 (international) and entering pin number 4365447.

## **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 Statements**

This release includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act 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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>REVENUE</b>				
Contract drilling.....	\$ 5,172,998	\$ 7,625,356	\$ 12,496,750	\$ 14,227,474
Oil and gas production .....	6,891,644	11,179,620	13,958,863	19,669,054
Gas transmission, compression and processing.....	2,599,229	2,536,560	5,404,211	5,094,652
Total revenue .....	14,663,871	21,341,536	31,859,824	38,991,180
<b>DIRECT EXPENSES</b>				
Contract drilling .....	3,873,266	5,756,997	9,414,692	10,876,846
Oil and gas production .....	2,614,094	3,107,095	4,939,059	5,872,050
Gas transmission, compression and processing.....	1,025,408	957,548	1,994,325	2,047,794
Total direct expenses .....	7,512,768	9,821,640	16,348,076	18,796,690
<b>OTHER EXPENSES (INCOME)</b>				
Selling, general and administrative .....	2,552,740	3,442,094	5,803,005	6,730,577
Options, warrants and deferred compensation ..	319,192	234,803	737,465	372,482
Depreciation, depletion and amortization .....	3,687,621	3,261,192	7,306,491	6,132,952
Bad debt expense .....	—	59,000	—	406,840
Interest expense.....	1,459,824	1,355,643	2,831,865	2,681,613
Interest income.....	(6,194)	(9,093)	(15,010)	(78,803)
Other, net.....	216,377	34,632	295,918	28,355
Total other expenses .....	8,229,560	8,378,271	16,959,734	16,274,016
<b>INCOME (LOSS) BEFORE INCOME TAXES .....</b>	<b>(1,078,457)</b>	<b>3,141,625</b>	<b>(1,447,986)</b>	<b>3,920,474</b>
<b>INCOME TAX EXPENSE (BENEFIT).....</b>	<b>(103,921)</b>	<b>1,620,363</b>	<b>63,241</b>	<b>2,236,023</b>
<b>NET INCOME (LOSS) .....</b>	<b>\$ (974,536)</b>	<b>\$ 1,521,262</b>	<b>\$ (1,511,227)</b>	<b>\$ 1,684,451</b>
<b>NET INCOME (LOSS) PER SHARE</b>				
Basic .....	\$ (0.04)	\$ 0.06	\$ (0.06)	\$ 0.06
Diluted .....	\$ (0.04)	\$ 0.06	\$ (0.06)	\$ 0.06

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

	<b>June 30, 2009</b>	December 31, <b>2008</b>
<b>ASSETS</b>		
Current assets:		
Cash.....	\$ 7,642,019	\$ 981,899
Accounts receivable.....	5,684,160	10,450,173
Prepaid expenses and other current assets.....	515,848	540,253
Loans to related parties.....	<u>76,914</u>	<u>79,188</u>
Total current assets.....	13,918,941	12,051,513
Bonds and deposits.....	263,695	623,898
Oil and gas properties.....	179,603,725	229,218,344
Assets held for sale.....	47,216,714	—
Property and equipment.....	5,667,261	3,285,925
Loans to related parties.....	171,429	171,429
Deferred financing costs.....	1,645,985	1,689,580
Goodwill.....	<u>313,177</u>	<u>313,177</u>
Total assets.....	<u>\$248,800,927</u>	<u>\$247,353,866</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable.....	\$ 5,237,137	\$ 12,362,092
Accrued liabilities.....	665,157	675,141
Deferred compensation.....	2,094,700	2,246,439
Customer drilling deposits.....	698,400	2,262,955
Long-term debt, current portion.....	<u>87,703</u>	<u>24,000</u>
Total current liabilities.....	8,783,097	17,570,627
Deferred compensation.....	344,013	—
Deferred income taxes.....	13,012,717	12,949,476
Long-term debt.....	118,981,171	108,580,448
Other long-term liabilities.....	<u>4,008,675</u>	<u>3,685,849</u>
Total liabilities.....	<u>145,129,673</u>	<u>142,786,400</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
<i>Authorized:</i>		
5,000,000 Preferred shares		
100,000,000 Common shares		
<i>Issued:</i>		
26,968,646 Common shares (2008 – 26,543,646).....	110,988,162	110,626,912
21,100 Common shares held in treasury, at cost.....	(23,630)	(23,630)
Paid-in capital – options and warrants.....	4,204,791	3,774,600
<i>Contributed surplus</i> .....	513,944	690,370
<i>To be issued:</i>		
9,185 Common shares (2008 – 9,185).....	<u>45,925</u>	<u>45,925</u>
	115,729,192	115,114,177
Deficit.....	<u>(12,057,938)</u>	<u>(10,546,711)</u>
Total shareholders' equity.....	<u>103,671,254</u>	<u>104,567,466</u>
Total liabilities and shareholders' equity.....	<u>\$248,800,927</u>	<u>\$247,353,866</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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income/(loss).....	\$ (974,536)	\$ 1,521,262	\$(1,511,227)	\$ 1,684,451
DD&A .....	3,687,621	3,261,192	7,306,491	6,132,952
Options, warrants and deferred compensation.....	319,192	234,803	1,098,715	404,052
Bad debt expense .....	—	59,000	—	406,840
Deferred taxes.....	(103,921)	1,620,363	63,241	2,236,023
<b>DISCRETIONARY CASH FLOW .....</b>	<b><u>\$ 2,928,356</u></b>	<b><u>\$ 6,696,620</u></b>	<b><u>\$ 6,957,220</u></b>	<b><u>\$10,864,318</u></b>
<b>DISCRETIONARY CASH FLOW PER SHARE .....</b>	<b><u>\$ 0.11</u></b>	<b><u>\$ 0.24</u></b>	<b><u>\$ 0.26</u></b>	<b><u>\$ 0.40</u></b>

---