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PANHANDLE OIL AND GAS INC. REPORTS
FISCAL 2017 FIRST QUARTER RESULTS

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE: PHX), the "Company," today reported financial and operating results for the 2017 fiscal first quarter ending Dec. 31, 2016.

SIGNIFICANT ITEMS FOR FIRST QUARTER 2017

- Recorded first quarter 2017 net loss of $2,238,392, $0.13 per share, compared to net loss of $2,799,118, $0.17 per share, for the 2016 first quarter.
- Recorded production of 2,517,414 Mcfe, compared to 3,143,400 Mcfe for the 2016 first quarter.
- Funded capital expenditures of $2.2 million for drilling and equipping wells for the 2017 first quarter with cash generated by operating activities of $3.7 million during the quarter.
- Collected $0.8 million from leasing mineral acreage in the 2017 first quarter.
- Reduced debt $0.4 million in the 2017 first quarter.

For the 2017 first quarter, the Company recorded a net loss of $2,238,392, $0.13 per share, compared to a net loss of $2,799,118, $0.17 per share, for the 2016 first quarter. Net cash provided by operating activities decreased 64% to $3,683,651 for the 2017 first quarter, compared to the 2016 first quarter. Cash flow from operating activities fully funded all capital expenditures of $2,174,523 for drilling and equipping wells for the quarter.

Total revenues for the 2017 first quarter were $7,051,673, compared to $11,462,125 for the 2016 first quarter. The decrease was largely due to increased losses on derivative contracts of $2,665,597 ($2.5 million of non-cash mark-to-market) in the 2017 quarter as NYMEX oil and natural gas futures experienced more of an increase in price in relation to the collars and the fixed price swaps. Oil, NGL and natural gas sales decreased $156,070 or 2% in the 2017 quarter, compared to the 2016 quarter, as a result of a 20% decrease in Mcfe production mostly offset by a 23% increase in the average sales price per Mcfe of production. Sales prices for oil, NGL and natural gas increased 17%, 46% and 34%, respectively, for the 2017 first quarter when compared to the 2016 first quarter. The average sales price per Mcfe during the 2017 first quarter was $3.54, compared to $2.88 for the 2016 first quarter.

Compared to the 2016 first quarter, first quarter 2017 oil production decreased 29% to 75,636 barrels, NGL production decreased 26% to 35,651 barrels and natural gas production decreased 17% to 1,849,692 Mcf. These production volume declines are the result of normal decline in the Company's producing wells. Drilling and completion capital expenditures for the last year have been below levels required to add new production sufficient to offset this natural decline.

Lease operating expenses decreased $517,121 in the 2017 quarter as compared to the 2016 quarter. The reduction was mostly the result of decreased production and operating efficiencies. Depreciation, depletion and amortization (DD&A) decreased $2,123,389 mainly due to lower production and the DD&A rate per Mcfe decreasing $0.29 in the 2017 quarter. The rate decrease was primarily due to impairment expense in fiscal 2016 lowering our depreciable basis. There was no impairment expense booked in the 2017 quarter compared to approximately $3.7 million in the 2016 quarter.

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OPERATIONS UPDATE

Drilling is now underway on five separate projects. Three are in the cores of low-risk resource plays, and the other two are in higher risk plays in the Permian Basin.

In the STACK/CANA play, the Company is participating with a 17.5% working interest and a 16.25% net revenue interest in six Woodford Shale wells operated by Cimarex Energy. The first two wells have been drilled, wells three and four are drilling and wells five and six are scheduled to spud as soon as three and four finish drilling. Cimarex plans to drill all six wells before beginning completion operations. These wells are expected to be completed and start producing in the third quarter of 2017.

In the southeastern Oklahoma Woodford Shale, Panhandle is participating with an average 20% working interest and an average 27.4% net revenue interest in eight wells operated by BP. Six wells have been drilled and the last two are drilling. Four of these wells are currently being completed and are expected to begin production within the next 30 days. The remaining four wells are projected to be completed and start producing early in the third quarter of 2017.

Drilling has commenced with one rig on a ten-well continuous drilling program on our Eagle Ford leasehold. The first two wells are projected to be completed and start producing in April 2017. The next four wells are expected to start producing in the fourth quarter of 2017 and the remaining four wells should be on production during the first quarter of 2018. We own an average 13% working interest and 9.7% net revenue interest in these ten wells.

The activity in these three low-risk resource plays is expected to result in a material increase in daily oil, NGL and natural gas production as these wells begin to produce throughout the remainder of 2017 and into 2018. This activity will also result in a material increase in 2017 capital expenditures as compared to 2016.

In the Permian Basin, QEP Resources is currently drilling a two-mile lateral Woodford Shale well on our contiguous 43.6-square-mile mineral holdings in Andrews and Winkler Counties, Texas. Panhandle has leased its 2,440 net mineral acres in the block and is entitled to a proportionately reduced 25% royalty. We also have the right to participate with up to 10% working interest in each unit as initial unit wells are proposed. With full participation, Panhandle would have a 7% working interest and a 7.5% net revenue interest in wells drilled on the 43.6-square-mile block.

Also in the Permian Basin, Element Petroleum is evaluating the San Andres formation on a contiguous 34.5-square-mile acreage block in Cochran County, Texas. Panhandle leased 4,050 net mineral acres within this block to Element and has a proportionately reduced 25% royalty. We also have the right to participate with up to 10% working interest in each unit as initial unit wells are proposed. With full participation, Panhandle would have a 10% working interest and a 12.1% net revenue interest in wells drilled on the 34.5-square-mile block. Thus far, Element has drilled and cored four pilot wells and completed one salt water disposal well on and around our block. The operator has begun the process of reentering the pilot holes and drilling 1.5-mile laterals to test the San Andres Formation. The first lateral is being drilled and is scheduled to begin producing within the next 60 days. Element is in the process of staking an additional 20 locations on and around our block and plan to begin development activities if the initial wells are successful.

HEDGING ACTIVITIES

Prices received for oil, NGL and natural gas improved during the quarter, and recent NYMEX futures pricing suggests continued improvement for the remainder of 2017. To protect cash flows generated by the materially increased capital expenditures planned for 2017 and support the returns on those investments, Panhandle has elected to hedge a significant amount of projected 2017 production. We have 3.74 Bcf and 0.75 Bcf of natural gas volumes for the remainder of 2017 and 2018 hedged with costless collars with average floors of $2.87 and $3.44 per Mcf and average ceilings of $3.49 and $3.95 per Mcf, respectively. We also have 2.1 Bcf and 0.38 Bcf of natural gas volumes for the remainder of 2017 and 2018 hedged with swap contracts with average prices of $3.21 and $3.63, respectively. The Company has also hedged 183,000 barrels of remaining 2017 oil with costless collars with an average floor price of $49.18 per barrel and an average ceiling price of $56.73 and 69,000 barrels of oil with swap contracts that have an average price of $53.89. The aforementioned timeframes are based on calendar year.

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MANAGEMENT COMMENTS

Paul F. Blanchard Jr., President and CEO said, "Like many other oil and gas companies, Panhandle experienced declining sales in 2016, due to low capital expenditures in the low product price environment. Prices for oil, NGL and natural gas improved during first quarter 2017, and recent NYMEX futures pricing suggests continued improvement for the remainder of 2017. As a result, we are experiencing a substantial increase in activity on our holdings.

"The Company has three low-risk high-potential projects under development, including drilling in the STACK/CANA Woodford Shale, the southeastern Oklahoma Woodford Shale and the Eagle Ford Shale. This activity is expected to produce material increases in daily oil, NGL and natural gas production as these wells come on line in 2017 and into 2018. This activity will also result in a material increase in 2017 capital expenditures as compared to 2016.

"We are evaluating higher risk exploration areas on our mineral acreage in the Woodford Shale in Andrews and Winkler Counties, Texas, and the San Andres formation in Cochran County, Texas. In both of these projects, we have the right to participate with up to 10% working interest in each unit as initial unit wells are proposed in addition to our proportionately reduced 25% royalty. If successful, these two Permian Basin plays have the potential to become Panhandle core areas.

"Going forward, we expect improved product prices along with material new oil, NGL and natural gas production from the low-risk drilling in the cores of our existing resource plays in 2017. We also have the possibility of adding two high-potential plays in the Permian Basin, which are currently being evaluated, as new active core areas. This multi-project and balanced-risk approach continues to demonstrate the value of Panhandle's proven operating strategies, which have positioned the Company to prosper as the industry begins to recover."

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FINANCIAL HIGHLIGHTS

Statements of Operations

	Three Months Ended Dec 31, 2016	Three Months Ended Dec 31, 2015
Revenues:		
Oil, NGL and natural gas sales	$ 8,899,218	$ 9,055,288
Lease bonuses and rentals	837,958	2,425,504
Gains (losses) on derivative contracts	(2,700,533)	(34,936)
Income (loss) from partnerships	15,030	16,269
	7,051,673	11,462,125
Costs and expenses:		
Lease operating expenses	3,049,415	3,566,536
Production taxes	367,845	321,841
Exploration costs	(2,243)	27,790
Depreciation, depletion and amortization	4,834,263	6,957,652
Provision for impairment	-	3,733,273
Loss (gain) on asset sales and other	12,934	(269,706)
Interest expense	292,369	360,562
General and administrative	1,842,482	1,912,079
Bad debt expense (recovery)	-	19,216
	10,397,065	16,629,243
Income (loss) before provision (benefit) for income taxes	(3,345,392)	(5,167,118)
Provision (benefit) for income taxes	(1,107,000)	(2,368,000)
Net income (loss)	$ (2,238,392)	$ (2,799,118)
Basic and diluted earnings (loss) per common share	$ (0.13)	$ (0.17)
Basic and diluted weighted average shares outstanding:		
Common shares	16,604,149	16,563,942
Unissued, directors' deferred compensation shares	274,035	255,060
	16,878,184	16,819,002
Dividends declared per share of common stock and paid in period	$ 0.04	$ 0.04
Dividends declared per share of common stock and to be paid in quarter ended March 31	0.04	0.04

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Balance Sheets

	Dec. 31, 2016 (unaudited)	Sept. 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 484,989	$ 471,213
Oil, NGL and natural gas sales receivables (net of allowance for uncollectable accounts)	5,526,787	5,287,229
Refundable income taxes	98,040	83,874
Other	273,397	419,037
Total current assets	6,383,213	6,261,353
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	437,851,114	434,469,093
Non-producing oil and natural gas properties	7,538,806	7,574,649
Other	1,068,778	1,069,658
	446,458,698	443,113,400
Less accumulated depreciation, depletion and amortization	(256,491,564)	(251,707,749)
Net properties and equipment	189,967,134	191,405,651
Investments	172,352	157,322
Total assets	$ 196,522,699	$ 197,824,326
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,457,200	$ 2,351,623
Derivative contracts, net	2,933,947	403,612
Accrued liabilities and other	1,968,967	1,718,558
Total current liabilities	8,360,114	4,473,793
Long-term debt	44,100,000	44,500,000
Deferred income taxes	29,569,007	30,676,007
Asset retirement obligations	2,990,823	2,958,048
Derivative contracts, net	10,587	24,659
Stockholders' equity:		
Class A voting common stock, $.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at Dec. 31, 2016, and Sept. 30, 2016	280,938	280,938
Capital in excess of par value	2,476,066	3,191,056
Deferred directors' compensation	3,509,031	3,403,213
Retained earnings	108,903,533	112,482,284
	115,169,568	119,357,491
Less treasury stock, at cost; 223,661 shares at Dec. 31, 2016, and 262,708 shares at Sept. 30, 2016	(3,677,400)	(4,165,672)
Total stockholders' equity	111,492,168	115,191,819
Total liabilities and stockholders' equity	$ 196,522,699	$ 197,824,326

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Condensed Statements of Cash Flows

	Three months ended Dec. 31, 2016	2015
Operating Activities		
Net income (loss)	$ (2,238,392)	$ (2,799,118)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	4,834,263	6,957,652
Impairment	-	3,733,273
Provision for deferred income taxes	(1,107,000)	(3,747,000)
Exploration costs	(2,243)	27,790
Gain from leasing of fee mineral acreage	(837,732)	(2,425,131)
Proceeds from leasing of fee mineral acreage	847,578	2,693,812
Net (gain) loss on sale of assets	-	(271,080)
Amortization of partnerships	2,541	19,984
Directors' deferred compensation expense	105,818	85,930
Restricted stock awards	180,412	371,407
Bad debt expense (recovery)	-	19,216
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	(239,558)	2,335,449
Fair value of derivative contracts	2,516,263	3,574,650
Refundable production taxes	-	1,162
Other current assets	145,640	(659,324)
Accounts payable	(90,474)	(484,882)
Income taxes receivable	(14,166)	345,897
Income taxes payable	-	1,073,551
Accrued liabilities	(419,299)	(509,208)
Total adjustments	5,922,043	13,143,148
Net cash provided by operating activities	3,683,651	10,344,030
Investing Activities		
Capital expenditures, including dry hole costs	(2,174,523)	(1,286,114)
Investments in partnerships	(17,571)	44,842
Proceeds from sales of assets	-	627,547
Net cash provided (used) by investing activities	(2,192,094)	(613,725)
Financing Activities		
Borrowings under debt agreement	4,436,304	2,958,515
Payments of loan principal	(4,836,304)	(10,958,515)
Purchase of treasury stock	(407,677)	(117,165)
Payments of dividends	(670,104)	(668,364)
Excess tax benefit on stock-based compensation	-	(45,000)
Net cash provided (used) by financing activities	(1,477,781)	(8,830,529)
Increase (decrease) in cash and cash equivalents	13,776	899,776
Cash and cash equivalents at beginning of period	471,213	603,915
Cash and cash equivalents at end of period	$ 484,989	$ 1,503,691
Supplemental Schedule of Noncash Investing and Financing Activities		
Dividends declared and unpaid	$ 670,255	$ 669,618
Additions to asset retirement obligations	$ 594	$ 4,524
Gross additions to properties and equipment	$ 3,370,574	$ 3,455,245
Net (increase) decrease in accounts payable for properties and equipment additions	(1,196,051)	(2,169,131)
Capital expenditures and acquisitions, including dry hole costs	$ 2,174,523	$ 1,286,114

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PRODUCTION

	First Quarter Ended Dec. 31, 2016	First Quarter Ended Dec. 31, 2015
Mcfe Sold	2,517,414	3,143,400
Average Sales Price per Mcfe	$ 3.54	$ 2.88
Oil Barrels Sold	75,636	106,362
Average Sales Price per Barrel	$ 46.09	$ 39.34
Mcf Sold	1,849,692	2,216,922
Average Sales Price per Mcf	$ 2.57	$ 1.92
NGL Barrels Sold	35,651	48,051
Average Sales Price per Barrel	$ 18.65	$ 12.78

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcfe Sold
12/31/2016	75,636	1,849,692	35,651	2,517,414
9/30/2016	78,398	1,940,749	44,598	2,678,725
6/30/2016	88,732	2,112,567	40,477	2,887,821
3/31/2016	90,760	2,014,139	37,934	2,786,303
12/31/2015	106,362	2,216,922	48,051	3,143,400

The Company's derivative contracts in place for oil and natural gas at Dec. 31, 2016, are outlined in its Form 10-Q for the period ending Dec. 31, 2016.

Panhandle Oil and Gas Inc. (NYSE: PHX) is engaged in the exploration for and production of natural gas and oil. Additional information on the Company can be found at www.panhandleoilandgas.com.

Forward-Looking Statements and Risk Factors – This report includes "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include current expectations or forecasts of future events. They may include estimates of oil and gas reserves, expected oil and gas production and future expenses, projections of future oil and gas prices, planned capital expenditures for drilling, leasehold acquisitions and seismic data, statements concerning anticipated cash flow and liquidity, and Panhandle's strategy and other plans and objectives for future operations. Although Panhandle believes the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance they will prove to be correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Factors that could cause actual results to differ materially from expected results are described under "Risk Factors" in Part 1, Item 1 of Panhandle's 2016 Form 10-K filed with the Securities and Exchange Commission. These "Risk Factors" include the worldwide economic recession's continuing negative effects on the natural gas business; Panhandle's hedging activities may reduce the realized prices received for natural gas sales; the volatility of oil and gas prices; the Company's ability to compete effectively against strong independent oil and gas companies and majors; the availability of capital on an economic basis to fund reserve replacement costs; Panhandle's ability to replace reserves and sustain production; uncertainties inherent in estimating quantities of oil and gas reserves and projecting future rates of production and the amount and timing of development expenditures; uncertainties in evaluating oil and gas reserves; unsuccessful exploration and development drilling; decreases in the values of our oil and gas properties resulting in write-downs; the negative impact lower oil and gas prices could have on our ability to borrow; drilling and operating risks; and we cannot control activities on our properties as the Company is a non-operator.

Do not place undue reliance on these forward-looking statements, which speak only as of the date of this release, as Panhandle undertakes no obligation to update this information. Panhandle urges you to carefully review and consider the disclosures made in this presentation and Panhandle's filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect Panhandle's business.

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