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**PANHANDLE OIL AND GAS INC.
REPORTS FISCAL FIRST QUARTER 2018 RESULTS**

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

HIGHLIGHTS FOR THE PERIOD ENDED DEC. 31, 2017

- Increased total equivalent production 36%, as compared to the quarter ended Dec. 31, 2016.
- Generated first quarter 2018 net income of \$13,784,939, \$0.81 per diluted share, as compared to a net loss of \$2,238,392, \$0.13 per diluted share, for the 2017 quarter.
- Generated cash from operating activities of \$7,198,583, which exceeded capital expenditures of \$4,984,880.
- Decreased lease operating expense (LOE) per Mcfe to \$1.06, as compared to \$1.21 in the prior year quarter.
- Reduced debt to \$50.4 million, as of Dec. 31, 2017, which has continued to decline to \$48.0 million as of Jan. 31, 2018.
- Generated EBITDA (1) of \$6,782,342 in the first quarter of 2018, as compared to \$1,781,240 in the 2017 first quarter.

(1) This is a Non-GAAP measure. Refer to the Non-GAAP Reconciliation section.

MANAGEMENT COMMENTS

Paul F. Blanchard Jr., President and CEO, said, "Panhandle has unique assets in its 255,000 net acres of perpetual mineral holdings, of which 198,000 net mineral acres are currently not producing. With these assets we have unique flexibility, in that we can evaluate and decide which of the following options we believe will create the most long-term shareholder value: 1) participate with a proportionate working interest in wells drilled on our holdings, 2) lease our mineral acreage and receive an upfront cash bonus plus royalty income from the production generated or 3) sell the mineral holdings outright.

"These unique assets and our unique flexibility distinguish Panhandle from other public oil and gas companies, including other mineral-based companies, and provide Panhandle's management team with unique opportunities to create long-term shareholder value. Our large unleased mineral holdings and our willingness to deploy capital in the drilling of low-risk, high-return wells drilled on these holdings provide this advantage. When we deploy capital in drilling, we receive royalty revenue as the mineral owner, in addition to the working interest a typical operator receives. Additionally, when we elect not to invest capital in drilling, we lease our mineral rights and receive an upfront cash lease bonus and royalty revenue from ensuing production. Both options provide an economic advantage over typical operators, who do not own mineral rights. In general, mineral-based companies do not invest in drilling on their mineral holdings and instead distribute their cash flow to their owners. As a result, they miss the opportunity for low-risk, high-return investments in working interests, which we believe maximizes the value of the mineral holdings.

"First quarter 2018 production increased 4% over the previous quarter to 37.2 Mmcfe per day, a 36% increase as compared to the 2017 quarter. The price we received for our production on a per Mcfe basis improved 6%, while our LOE per Mcfe decreased 12%, as compared to the 2017 quarter.

"The growth in production and reduction in LOE per Mcfe were largely the result of our capital investment campaign in 2017 and the first quarter of 2018. For the 2017 drilling program, the Company calculated a finding cost of approximately \$0.97 per Mcfe

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based on a 6:1 conversion factor and a finding cost of approximately \$0.84/Mcfe based on a 2017 average product price equivalence conversion. First quarter 2018 capital investments totaled approximately \$5.0 million and were primarily directed toward the three low-risk resource plays that were the focus of the 2017 program: the Eagle Ford Shale, the southeastern Oklahoma Woodford Shale and the STACK/Cana Woodford Shale. Disposition of marginal wells with high LOE also contributed to the reduction in LOE, while having minimal impact on our cash flow.

“A total of 13 wells are currently being drilled on our mineral holdings in Oklahoma. We have a royalty interest in 10 of those wells, a working interest in one and have not yet elected on the remaining two. Seven of the wells are in the STACK/Cana area, five are in the SCOOP area and one is in the southeastern Oklahoma Woodford. There is currently no drilling underway in our two Permian projects. The operator of the Andrews and Winkler Counties, Texas, acreage has drilled a Barnett Shale well that is in the process of being completed, and the operator of our Cochran County, Texas, acreage has six wells producing a total of 473 Boe per day gross (22 Boe net to Panhandle) with one well drilled, but not yet completed.

“We have approved the drilling of 19 gross wells and the re-fracturing of one of our Eagle Ford wells, none of which have yet started. These projects are estimated to be a net investment of \$1.7 million. We are currently evaluating an additional 23 well proposals on our holdings. These wells have a total projected net cost of \$1.3 million.

“Leasing activity was slow in the first quarter, generating approximately \$100,000 of lease bonus revenue. However, the Company received an additional \$430,000 in lease bonus revenue in January 2018. This actively managed leasing program will continue to be a part of optimizing the value of our assets and pulling that value forward. In addition, the Company will consider selling mineral holdings if we believe it is in the best long-term interest of our shareholders. For example, late in the fourth quarter of 2017, we received an attractive negotiated offer for the sale of a relatively small number of largely undeveloped mineral acres with closing set for early 2018. The buyer was unable to close, and Panhandle retained the \$462,500 deposit. Although the sale did not close, we believe it further represents the flexibility we have in our quest to maximize long-term shareholder value.

“We are beginning to see the tangible results from the marginal property divestiture program we instituted in 2017. Thus far, we have sold 230 gross marginal wells that accounted for approximately 5.3% of the Company’s LOE, but only approximately 0.7% of our cash flow from producing properties. We are planning to market an additional 232 gross marginal wells. If these wells are sold, the Company will have sold 462 gross working interest wells or 21% of our total gross working interest well count. If the full 462 gross working interest wells are sold the Company’s LOE would decrease by approximately 9.6%, while our cash flow from producing properties would only decrease approximately 1.8% based on prior year activity.”

FISCAL FIRST QUARTER 2018 RESULTS

For the 2018 first quarter, the Company recorded net income of \$13,784,939, or \$0.81 per diluted share. This compared to a net loss of \$2,238,392, or \$0.13 per diluted share, for the 2017 first quarter. The 2018 first quarter results include a \$12,652,000 decrease in income tax as a result of new tax law (see income tax below). Net cash provided by operating activities increased 95% to \$7,198,584 for the 2018 first quarter, versus \$3,683,651 for the 2017 first quarter. Capital expenditures totaled \$4,984,880 in the 2018 first quarter, compared to \$2,174,523 in the 2017 quarter.

Total revenues for the 2018 first quarter were \$12,490,526, a 78% increase from \$7,036,643 for the 2017 quarter. Oil, NGL and natural gas sales increased \$3,988,201 or 45% in the 2018 quarter, compared to the 2017 quarter, as a result of a 36% increase in Mcfe production and a 6% increase in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2018 first quarter was \$3.77, compared to \$3.54 for the 2017 first quarter. Also, the 2018 quarter included a \$0.5 million loss on derivative contracts, as compared to a \$2.7 million loss for the 2017 quarter.

Gas production increased 32% to 2,442,384 Mcf for the 2018 quarter, compared to the 2017 quarter, while oil production increased 20% to 90,837 barrels versus 75,636 barrels. In addition, 72,401 barrels of NGL were sold in the 2018 quarter, as compared to 35,651 barrels in the 2017 quarter.

Total expenses increased \$1,033,552 in the 2018 quarter as compared to the 2017 quarter. This increase was mainly driven by an increase in LOE and DD&A of \$1,018,855 over the prior year quarter due to increased Mcfe production. Although LOE and DD&A expenses increased over the prior year quarter, their per Mcfe rates both declined comparatively.

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INCOME TAX

The provision (benefit) for income tax in this quarter includes an adjustment of \$12,652,000 (benefit) for net deferred tax liabilities whose rates were adjusted from 35% to 21% as a result of the Tax Cuts and Jobs Act enacted in December 2017. This adjustment represents the Company's reasonable estimate of the change in future tax rates on deferred tax balances at Dec. 31, 2017. Pre-tax net income was \$1,074,939 for the first quarter of 2018.

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FINANCIAL HIGHLIGHTS

Statements of Operations

	Three Months Ended Dec. 31,	
	2017	2016
	(unaudited)	
Revenues:		
Oil, NGL and natural gas sales	\$ 12,887,419	\$ 8,899,218
Lease bonuses and rentals	96,959	837,958
Gains (losses) on derivative contracts	(493,852)	(2,700,533)
	<u>12,490,526</u>	<u>7,036,643</u>
Costs and expenses:		
Lease operating expenses	3,626,709	3,049,415
Production taxes	488,990	367,845
Depreciation, depletion and amortization	5,275,824	4,834,263
Loss (gain) on asset sales and other	(295,658)	(4,339)
Interest expense	431,579	292,369
General and administrative	1,888,143	1,842,482
	<u>11,415,587</u>	<u>10,382,035</u>
Income (loss) before provision (benefit) for income taxes	1,074,939	(3,345,392)
Provision (benefit) for income taxes	<u>(12,710,000)</u>	<u>(1,107,000)</u>
Net income (loss)	<u>\$ 13,784,939</u>	<u>\$ (2,238,392)</u>
Basic and diluted earnings (loss) per common share	<u>\$ 0.81</u>	<u>\$ (0.13)</u>
Basic and diluted weighted average shares outstanding:		
Common shares	16,685,032	16,604,149
Unissued, directors' deferred compensation shares	263,255	274,035
	<u>16,948,287</u>	<u>16,878,184</u>
Dividends declared per share of common stock and paid in period	<u>\$ 0.04</u>	<u>\$ 0.04</u>
Dividends declared per share of common stock and to be paid in quarter ended March 31	<u>0.04</u>	<u>0.04</u>

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Balance Sheets

	Dec. 31, 2017 (unaudited)	Sept. 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 568,427	\$ 557,791
Oil, NGL and natural gas sales receivables (net of allowance for uncollectable accounts)	7,355,784	7,585,485
Refundable income taxes	465,371	489,945
Assets held for sale	-	557,750
Derivative contracts, net	-	544,924
Other	312,733	253,480
Total current assets	8,702,315	9,989,375
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	435,482,235	434,571,516
Non-producing oil and natural gas properties	7,424,270	7,428,927
Other	1,497,079	1,067,894
	444,403,584	443,068,337
Less accumulated depreciation, depletion and amortization	(249,047,342)	(246,483,979)
Net properties and equipment	195,356,242	196,584,358
Investments	242,083	170,486
Total assets	<u>\$ 204,300,640</u>	<u>\$ 206,744,219</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,063,042	\$ 1,847,230
Derivative contracts, net	334,877	-
Accrued liabilities and other	1,783,169	1,690,789
Total current liabilities	3,181,088	3,538,019
Long-term debt	50,400,000	52,222,000
Deferred income taxes	18,313,007	31,051,007
Asset retirement obligations	3,223,872	3,196,889
Derivative contracts, net	-	28,765
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at Dec. 31, 2017, and Sept. 30, 2017	280,938	280,938
Capital in excess of par value	2,186,538	2,726,444
Deferred directors' compensation	3,568,293	3,459,909
Retained earnings	125,767,547	113,330,216
	131,803,316	119,797,507
Less treasury stock, at cost; 154,044 shares at Dec. 31, 2017, and 184,988 shares at Sept. 30, 2017	(2,620,643)	(3,089,968)
Total stockholders' equity	129,182,673	116,707,539
Total liabilities and stockholders' equity	<u>\$ 204,300,640</u>	<u>\$ 206,744,219</u>

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Condensed Statements of Cash Flows

	Three months ended Dec. 31,	
	2017	2016
	(unaudited)	
Operating Activities		
Net income (loss)	\$ 13,784,939	\$ (2,238,392)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	5,275,824	4,834,263
Provision for deferred income taxes	(12,738,000)	(1,107,000)
Gain from leasing of fee mineral acreage	(96,843)	(837,732)
Proceeds from leasing of fee mineral acreage	98,692	847,578
Net (gain) loss on sale of assets	272,236	-
Directors' deferred compensation expense	108,384	105,818
Restricted stock awards	194,050	180,412
Other	(3,237)	298
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	229,701	(239,558)
Fair value of derivative contracts	851,036	2,516,263
Other current assets	(59,253)	145,640
Accounts payable	(86,404)	(90,474)
Income taxes receivable	24,574	(14,166)
Other non-current assets	(79,552)	-
Accrued liabilities	(577,564)	(419,299)
Total adjustments	(6,586,356)	5,922,043
Net cash provided by operating activities	7,198,583	3,683,651
Investing Activities		
Capital expenditures	(4,984,880)	(2,174,523)
Investments in partnerships	5,393	(17,571)
Proceeds from sales of assets	557,750	-
Net cash provided (used) by investing activities	(4,421,737)	(2,192,094)
Financing Activities		
Borrowings under debt agreement	8,272,575	4,436,304
Payments of loan principal	(10,094,795)	(4,836,304)
Purchase of treasury stock	(272,100)	(407,677)
Payments of dividends	(671,890)	(670,104)
Net cash provided (used) by financing activities	(2,766,210)	(1,477,781)
Increase (decrease) in cash and cash equivalents	10,636	13,776
Cash and cash equivalents at beginning of period	557,791	471,213
Cash and cash equivalents at end of period	<u>\$ 568,427</u>	<u>\$ 484,989</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Dividends declared and unpaid	\$ 675,718	\$ 670,255
Additions to asset retirement obligations	<u>\$ 12,026</u>	<u>\$ 594</u>
Gross additions to properties and equipment	\$ 4,287,096	\$ 3,370,574
Net (increase) decrease in accounts payable for properties and equipment additions	697,784	(1,196,051)
Capital expenditures and acquisitions	<u>\$ 4,984,880</u>	<u>\$ 2,174,523</u>

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OPERATING HIGHLIGHTS

	First Quarter Ended Dec. 31, 2017	First Quarter Ended Dec. 31, 2016
Mcf Sold	3,421,812	2,517,414
Average Sales Price per Mcfe	\$ 3.77	\$ 3.54
Oil Barrels Sold	90,837	75,636
Average Sales Price per Barrel	\$ 53.83	\$ 46.09
Mcf Sold	2,442,384	1,849,692
Average Sales Price per Mcf	\$ 2.50	\$ 2.57
NGL Barrels Sold	72,401	35,651
Average Sales Price per Barrel	\$ 26.10	\$ 18.65

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcf Sold
12/31/2017	90,837	2,442,384	72,401	3,421,812
9/30/2017	93,027	2,330,838	65,034	3,279,204
6/30/2017	75,467	2,265,091	39,337	2,953,915
3/31/2017	66,547	1,748,909	33,836	2,351,207
12/31/2016	75,636	1,849,692	35,651	2,517,414

The Company's derivative contracts in place for natural gas at Dec. 31, 2017, are outlined in its Form 10-Q for the period ending Dec. 31, 2017.

Non-GAAP Reconciliation

This news release includes certain "non-GAAP financial measures" under the rules of the Securities and Exchange Commission, including Regulation G. These non-GAAP measures are calculated using GAAP amounts in our financial statements.

EBITDA Reconciliation

EBITDA is defined as net income (loss) plus interest expense, provision for impairment, depreciation, depletion and amortization of properties and equipment (which includes amortization of other assets), and provision (benefit) for income taxes. We believe that certain investors consider EBITDA a useful means of measuring our ability to meet our debt service obligations and evaluating our financial performance. EBITDA has limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to a similarly titled measure of other companies. The following table provides a reconciliation of net income (loss) to EBITDA for the periods indicated.

	First Quarter Ended Dec. 31, 2017	First Quarter Ended Dec. 31, 2016
Net Income (Loss)	\$ 13,784,939	\$ (2,238,392)
Plus:		
Income Tax Expense (Benefit)	(12,710,000)	(1,107,000)
Interest Expense	431,579	292,369
DD&A	5,275,824	4,834,263
EBITDA	\$ 6,782,342	\$ 1,781,240

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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 2017 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 our inability to 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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