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PANHANDLE OIL AND GAS INC.
REPORTS FISCAL SECOND QUARTER AND SIX MONTHS 2016 RESULTS, MID-YEAR RESERVE UPDATE AND OPERATIONS UPDATE

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE: PHX) today reported financial and operating results for the Company's fiscal second quarter and six months ended March 31, 2016.

SIGNIFICANT ITEMS FOR THE PERIODS ENDED MARCH 31, 2016

- Recorded fiscal second quarter 2016 net loss of $7,438,161, $0.44 per diluted share, as compared to net income of $704,207, $0.04 per diluted share, for the 2015 quarter.
- Recorded six month 2016 net loss of $10,237,279, $0.61 per diluted share, compared to net income of $10,937,968, $0.65 per diluted share, for the 2015 six months.
- Incurred 2016 six-month non-cash impairment provision of $11,849,064.
- Generated cash from operating activities of $10,566,650 for the 2016 six-month period, well in excess of $2,554,543 of capital expenditures for drilling and equipping wells.
- Received lease bonus proceeds of $3.2 million in first six months of fiscal 2016 (as of May 9, 2016, lease bonus received has totaled approximately $5.9 million).
- Reported 2016 second-quarter and six-month production of 2,786,303 Mcfe and 5,929,703 Mcfe, respectively.
- Reduced debt $10.5 million from Sept. 30, 2015, to $54.5 million through March 31, 2016 (as of May 9, 2016, balance is $51 million).
- Proved reserves totaled 144.9 Bcfe at March 31, 2016.

FISCAL SECOND QUARTER 2016 RESULTS

For the 2016 second quarter, the Company recorded net loss of $7,438,161, or $0.44 per diluted share. This compared to net income of $704,207, or $0.04 per diluted share, for the 2015 second quarter. Net cash provided by operating activities decreased 77% to $2,916,432 for the 2016 second quarter, versus the 2015 second quarter. Capital expenditures for the 2016 fiscal quarter totaled $1,268,429 and continue to be principally directed toward oil and NGL rich plays in south central Oklahoma including the SCOOP and STACK plays. In addition, the Company recorded an $8.1 million non-cash provision for impairment in the 2016 quarter, as compared to a $1.2 million provision in the 2015 quarter.

Total revenues for the 2016 second quarter were $7,587,091, a 48% decrease from $14,679,034 for the 2015 quarter. Oil, NGL and natural gas sales decreased $6,301,363 or 51% in the 2016 quarter, compared to the 2015 quarter, as a result of a 19% decrease in Mcfe production and a 39% decrease in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2016 second quarter was $2.20, compared to $3.60 for the 2015 second quarter. The 2016 quarter included a $1 million gain on derivative contracts, as compared to a $1.9 million gain for the 2015 quarter. The Company will typically hedge 40-60% of its expected production volumes of oil and gas for a duration of up to one year.

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Oil production decreased 21% in the 2016 quarter to 90,760 barrels, versus 114,567 barrels in the 2015 quarter, while gas production decreased 19% to 2,014,139 Mcf for the 2016 quarter, compared to the 2015 quarter. In addition, 37,934 barrels of NGL were sold in the 2016 quarter, as compared to 48,681 barrels in the 2015 quarter.

SIX MONTHS 2016 RESULTS

For the 2016 six months, the Company recorded a net loss of $10,237,279, or $0.61 per diluted share. This compared to a net income of $10,937,968, or $0.65 per diluted share, for the 2015 six months. Net cash provided by operating activities decreased 62% year over year to $10,566,650 for the 2016 six months, versus the 2015 six months. Again, cash flow from operations fully funded costs to drill and equip wells for the six months. Capital expenditures for the 2016 six months totaled $2,554,543. The Company recorded an $11.8 million non-cash provision for impairment in the 2016 six months, as compared to a $3.4 million provision in the 2015 period.

Total revenues for the 2016 six months were $19,049,216, a 58% decrease from $45,678,204 for the 2015 six months. Oil, NGL and natural gas sales decreased $16,765,775 or 52% in the 2016 six months, compared to the 2015 six months, as a result of an 18% decrease in Mcfe production and a 42% decrease in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2016 six months was $2.56, compared to $4.44 for the 2015 six months. The 2016 six months included a $.9 million gain on derivative contracts as compared to a $13.2 million gain for the 2015 period.

Oil production decreased 15% in the 2016 six months to 197,122 barrels from 231,150 barrels in the 2015 six months, while gas production decreased 845,877 Mcf, or 17%, compared to the 2015 six months. In addition, 85,985 barrels of NGL were sold in the 2016 six months, which was a 29% decrease compared to 2015 NGL volumes.

RESERVES UPDATE

March 31, 2016, mid-year proved reserves were 144.9 Bcfe, as calculated by the Company's consulting petroleum engineering firm, DeGolyer and MacNaughton. This was a decrease of 19.5%, compared to the 180.0 Bcfe of proved reserves at Sept. 30, 2015. SEC prices used for the March 31, 2016, report averaged $2.14 per Mcf for natural gas, $40.07 per barrel for oil and $13.24 per barrel for NGL, compared to $2.84 per Mcf for natural gas, $55.27 per barrel for oil and $19.10 per barrel for NGL at the Sept. 30, 2015, report. The above prices reflect net at the wellhead prices. Total proved developed reserves decreased 15.9% to 90.9 Bcfe, as compared to Sept. 30, 2015, reserve volumes.

Paul Blanchard, Senior Vice President and COO, said: "The Company's 2016 mid-year reserves were down approximately 35 Bcfe as a result of the dramatically lower product prices experienced in the last six months. This fall in product prices produced a decrease in proved developed reserves of 12.6 Bcfe due to wells reaching their projected economic limits much earlier than projected using Sept. 30, 2015, prices. PUD reserves declined 17.7 Bcfe as many future drilling locations became uneconomic at this quarter's SEC mandated product prices. In addition, due to extremely low commodity prices, the Company produced 4.5 Bcfe more than was added through new drilling and completion activity during the six-month period.

"The reserves associated with the product pricing revisions are still in place and will be brought back into the Company's reserve report when prices recover to a level seen in the 2015 year-end report. All of Panhandle's proved, probable and possible locations are either on Company owned perpetual minerals or held-by-production leasehold, and therefore, there is no potential for locations being lost through the expiration of leases at the end of their primary terms."

MANAGEMENT COMMENTS

Michael C. Coffman, President and CEO, said: "2016 continues to shape up as one of, if not the most difficult years the energy industry has ever seen. Panhandle is experiencing many of the issues other companies have faced.

"The low oil, natural gas and natural gas liquids prices have dramatically reduced our revenues and resulting cash flows. In addition, non-cash impairment charges resulting from the low commodity prices have resulted in large losses for the Company. These impairment charges reduce the carrying value of producing properties on the Company's books to a point-in-time (March 31, 2016) estimated market valuation."

Coffman continued: "Thus far in fiscal 2016, we have incurred $11.8 million, pre-tax, of impairment charges. These charges are excluded in financial covenant calculations of our loan agreement. The borrowing base under our loan agreement will be reset in

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June 2016, and we expect the borrowing base to be reduced from the current $100 million. We expect it to be set at a level that provides ample liquidity for the Company to continue to employ its normal operating strategies."

OPERATIONS UPDATE

Panhandle continues to actively lease out selected mineral holdings during this commodity price downturn. The strategy behind this activity is to lease out minerals in cases where we believe the present value of the lease bonus plus the royalty will ultimately exceed the risked present value of participating with a working interest in wells drilled on these mineral holdings.

Thus far in the current fiscal year (Oct. 1, 2015 – May 9, 2016) leases have totaled 6,327 net mineral acres and included approximately $5.9 million of lease bonus receipts (ranging from $100 per acre to $4,300 per acre). The leased mineral acreage covers the following areas in Oklahoma and Texas:

1) 4,057 acres in the Permian Basin in Cochran County, Texas. We maintain the right to buy back up to a 10% working interest on a unit-by-unit basis. This lease has a three-year primary term with the right to renew with an additional lease bonus.

2) 685 acres in the STACK play in Canadian, Blaine, Custer and Dewey Counties, Oklahoma. The majority of these leases have a four-year primary term. No Cana Core acreage was leased; Panhandle therefore maintains all of its pre-existing rights to participate with a working interest in that play.

3) 1,226 acres in northwest Dewey and southern Woodward Counties, Oklahoma. This is viewed by some as a potential STACK expansion area.

The primarily targeted formations in each of these areas are predominately either limestone or sandstone. By their nature, these reservoirs can be very complex and tend to produce much more variable results than consistent shale resource plays such as the Cana and SCOOP Woodford cores. Generally, there are significant variations over short distances in the reservoir properties in many limestone and sandstone reservoirs leading to potentially wide variations in well-to-well productivity. In fact, the primary target in the STACK and STACK expansion play is the Meramec formation, which is a sub-member of the Mississippian Limestone and has a several-decade long history of producing highly variable wells across northern, central and western Oklahoma. Any mineral acres not drilled within the primary term of the leases will once again become unleased minerals on Panhandle's books.

In all but the Cochran County lease, by leasing we relinquished the right to participate in these units as a working interest owner during the term of the lease; however, we will retain the royalty interest and the perpetual minerals. Royalty interests are considerably more valuable than an equivalent working interest because they do not bear capital investments or operating expenses.

In essence, these transactions eliminate the risk of investing capital in plays and extensions of plays that have materially more risk than drilling in the cores of shale resource plays, while at the same time preserving risked value through lease bonus payments and potential future royalty income streams.

We are also in late stage negotiations to lease out additional mineral rights, which if completed would result in additional meaningful lease bonuses to the Company.

Lease operating expenses were reduced by 10% when comparing the first six months of 2016 to 2015. This decrease was principally due to field optimization work on our Eagle Ford properties.

FINANCIAL HIGHLIGHTS

Statements of Operations

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
	(unaudited)		(unaudited)	
Revenues:				
Oil, NGL and natural gas sales	$ 6,136,186	$ 12,437,549	$ 15,191,474	$ 31,957,249
Lease bonuses and rentals	481,553	253,050	2,907,057	282,341
Gains (losses) on derivative contracts	975,113	1,900,162	940,177	13,150,427
Income (loss) from partnerships	(5,761)	88,273	10,508	288,187
	7,587,091	14,679,034	19,049,216	45,678,204
Costs and expenses:				
Lease operating expenses	3,187,353	4,376,996	6,753,889	9,162,346
Production taxes	229,140	399,157	550,981	1,021,669
Exploration costs	1,159	3,105	28,949	28,457
Depreciation, depletion and amortization	6,045,883	5,811,590	13,003,535	11,950,609
Provision for impairment	8,115,791	1,208,645	11,849,064	3,400,642
Loss (gain) on asset sales and other	27,134	(7,145)	(242,572)	(9,127)
Interest expense	342,348	409,276	702,910	812,009
General and administrative	1,651,444	1,850,203	3,563,523	3,808,631
Bad debt expense (recovery)	-	-	19,216	-
	19,600,252	14,051,827	36,229,495	30,175,236
Income (loss) before provision (benefit) for income taxes	(12,013,161)	627,207	(17,180,279)	15,502,968
Provision (benefit) for income taxes	(4,575,000)	(77,000)	(6,943,000)	4,565,000
Net income (loss)	$ (7,438,161)	$ 704,207	$ (10,237,279)	$ 10,937,968
Basic and diluted earnings (loss) per common share	$ (0.44)	$ 0.04	$ (0.61)	$ 0.65
Basic and diluted weighted average shares outstanding:				
Common shares	16,579,116	16,514,435	16,571,488	16,504,512
Unissued, directors' deferred compensation shares	259,381	266,066	258,206	265,503
	16,838,497	16,780,501	16,829,694	16,770,015
Dividends declared per share of common stock and paid in period	$ 0.04	$ 0.04	$ 0.08	$ 0.08

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Balance Sheets

	March 31, 2016 (unaudited)	Sept. 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 486,630	$ 603,915
Oil, NGL and natural gas sales receivables (net of allowance for uncollectable accounts)	4,231,534	7,895,591
Refundable income taxes	1,121,703	345,897
Refundable production taxes	454,018	476,001
Derivative contracts, net	330,751	4,210,764
Other	331,845	252,016
Total current assets	6,956,481	13,784,184
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	433,557,440	441,141,337
Non-producing oil and natural gas properties	7,643,408	8,293,997
Other	1,060,392	1,393,559
	442,261,240	450,828,893
Less accumulated depreciation, depletion and amortization	(240,429,941)	(228,036,803)
Net properties and equipment	201,831,299	222,792,090
Investments	167,663	2,248,999
Total assets	$ 208,955,443	$ 238,825,273
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,447,314	$ 2,028,746
Deferred income taxes	312,100	1,517,100
Accrued liabilities and other	936,629	1,330,901
Total current liabilities	2,696,043	4,876,747
Long-term debt	54,500,000	65,000,000
Deferred income taxes	32,918,907	39,118,907
Asset retirement obligations	2,895,488	2,824,944
Stockholders' equity:		
Class A voting common stock, $.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at March 31, 2016, and Sept. 30, 2015	280,938	280,938
Capital in excess of par value	3,000,554	2,993,119
Deferred directors' compensation	3,242,150	3,084,289
Retained earnings	113,871,183	125,446,473
	120,394,825	131,804,819
Less treasury stock, at cost; 280,624 shares at March 31, 2016, and 302,623 shares at Sept. 30, 2015	(4,449,820)	(4,800,144)
Total stockholders' equity	115,945,005	127,004,675
Total liabilities and stockholders' equity	$ 208,955,443	$ 238,825,273

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Condensed Statements of Cash Flows

	Six months ended March 31, 2016	2015
	(unaudited)	
Operating Activities		
Net income (loss)	$ (10,237,279)	$ 10,937,968
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	13,003,535	11,950,609
Impairment	11,849,064	3,400,642
Provision for deferred income taxes	(7,405,000)	2,698,000
Exploration costs	28,949	28,457
Gain from leasing of fee mineral acreage	(2,906,480)	(281,124)
Net (gain) loss on sale of assets	(271,080)	-
Income from partnerships	(10,508)	(288,187)
Distributions received from partnerships	32,632	395,852
Directors' deferred compensation expense	168,402	169,464
Restricted stock awards	508,095	531,243
Bad debt expense (recovery)	19,216	-
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	3,644,841	6,588,410
Fair value of derivative contracts	3,880,013	(8,588,328)
Refundable production taxes	21,983	26,625
Other current assets	(79,829)	26,579
Accounts payable	(510,114)	(41,635)
Income taxes receivable	(775,806)	-
Income taxes payable	-	503,394
Accrued liabilities	(393,984)	(404,053)
Total adjustments	20,803,929	16,715,948
Net cash provided by operating activities	10,566,650	27,653,916
Investing Activities		
Capital expenditures, including dry hole costs	(2,554,543)	(19,797,996)
Acquisition of working interest properties	-	(308,180)
Proceeds from leasing of fee mineral acreage	3,193,775	286,844
Investments in partnerships	48,462	(208,312)
Proceeds from sales of assets	627,547	-
Net cash provided (used) by investing activities	1,315,241	(20,027,644)
Financing Activities		
Borrowings under debt agreement	6,078,919	18,894,612
Payments of loan principal	(16,578,919)	(24,971,023)
Purchase of treasury stock	(117,165)	(120,611)
Payments of dividends	(1,338,011)	(1,333,023)
Excess tax benefit on stock-based compensation	(44,000)	(19,000)
Net cash provided (used) by financing activities	(11,999,176)	(7,549,045)
Increase (decrease) in cash and cash equivalents	(117,285)	77,227
Cash and cash equivalents at beginning of period	603,915	509,755
Cash and cash equivalents at end of period	$ 486,630	$ 586,982
Supplemental Schedule of Noncash Investing and Financing Activities		
Additions to asset retirement obligations	$ 7,160	$ 32,728
Gross additions to properties and equipment	$ 2,483,225	$ 18,207,598
Net (increase) decrease in accounts payable for properties and equipment additions	71,318	1,898,578
Capital expenditures and acquisitions, including dry hole costs	$ 2,554,543	$ 20,106,176

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Proved Reserves

	SEC Pricing	
	March 31, 2016	Sept. 30, 2015
Proved Developed Reserves:	(unaudited)	
Barrels of NGL	1,236,528	1,466,834
Barrels of Oil	2,284,144	2,725,077
Mcf of Gas	69,798,702	82,899,159
Mcfe (1)	90,922,734	108,050,625
Proved Undeveloped Reserves:		
Barrels of NGL	1,179,666	1,453,766
Barrels of Oil	3,555,534	4,313,353
Mcf of Gas	25,587,282	37,314,885
Mcfe (1)	53,998,482	71,917,599
Total Proved Reserves:		
Barrels of NGL	2,416,194	2,920,600
Barrels of Oil	5,839,678	7,038,430
Mcf of Gas	95,385,984	120,214,044
Mcfe (1)	144,921,216	179,968,224
10% Discounted Estimated Future		
Net Cash Flows (before income taxes):		
Proved Developed	$ 71,263,666	$ 126,295,752
Proved Undeveloped	(5,746,678)	17,948,482
Total	$ 65,516,988	$ 144,244,234
SEC Pricing		
Oil/Barrel	$ 40.07	$ 55.27
Gas/Mcf	$ 2.14	$ 2.84
NGL/Barrel	$ 13.24	$ 19.10

Proved Reserves - NYMEX Futures Pricing (2)

10% Discounted Estimated Future	Proved Reserves	
Net Cash Flows (before income taxes):	March 31, 2016	Sept. 30, 2015
Proved Developed	$ 93,576,643	$ 123,465,294
Proved Undeveloped	10,141,258	20,797,565
Total	$ 103,717,901	$ 144,262,859

(1) Crude oil and NGL converted to natural gas on a one barrel of crude oil or NGL equals six Mcf of natural gas basis

(2) NYMEX Futures Pricing as of March 31, 2016, and Sept. 30, 2015, basis adjusted to Company wellhead price

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OPERATING HIGHLIGHTS

	Second Quarter Ended March 31, 2016	Second Quarter Ended March 31, 2015	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
Mcfe Sold	2,786,303	3,455,265	5,929,703	7,192,748
Average Sales Price per Mcfe	$ 2.20	$ 3.60	$ 2.56	$ 4.44
Oil Barrels Sold	90,760	114,567	197,122	231,150
Average Sales Price per Barrel	$ 27.19	$ 45.67	$ 33.75	$ 58.38
Mcf Sold	2,014,139	2,475,777	4,231,061	5,076,938
Average Sales Price per Mcf	$ 1.64	$ 2.64	$ 1.78	$ 3.13
NGL Barrels Sold	37,934	48,681	85,985	121,485
Average Sales Price per Barrel	$ 9.85	$ 13.82	$ 11.49	$ 21.23

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcfe Sold
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
9/30/2015	112,237	2,261,236	47,738	3,221,086
6/30/2015	109,738	2,407,049	41,737	3,315,899
3/31/2015	114,567	2,475,777	48,681	3,455,265

The Company's derivative contracts in place for natural gas at March 31, 2016, are outlined in its Form 10-Q for the period ending March 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 2015 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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