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**PANHANDLE OIL AND GAS INC.  
REPORTS FISCAL SECOND QUARTER AND SIX MONTHS 2018 RESULTS AND MID-YEAR RESERVE 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, 2018.

**HIGHLIGHTS FOR THE PERIODS ENDED MARCH 31, 2018**

- Increased total equivalent production 25%, as compared to the quarter ended March 31, 2017, and 31%, as compared to the six months ended March 31, 2017.
- Generated second quarter 2018 net income of \$1,070,176, \$0.06 per diluted share, as compared to a net income of \$3,470,433, \$0.21 per diluted share, for the 2017 quarter.
- Generated six-month 2018 net income of \$14,855,115, \$0.87 per diluted share, as compared to a net income of \$1,232,041, \$0.07 per diluted share, for the 2017 six months.
- Generated free cash flow of \$8,815,501 as cash from operating activities of \$15,359,982 for the 2018 six-month period was well in excess of capital expenditures for drilling and equipping wells of \$6,544,481.
- Decreased lease operating expense (LOE) per Mcfe to \$1.08 for the six-month period, as compared to \$1.26 in the prior year’s six-month period.
- Reduced debt from \$52.2 million, as of Sept. 30, 2017, to \$43.5 million, as of March 31, 2018, which has declined further to \$42.0 million as of April 30, 2018.
- Generated 2018 second-quarter and six-month EBITDA <sup>(1)</sup> of \$5,723,205 and \$12,505,547, respectively.

<sup>(1)</sup> EBITDA is a Non-GAAP measure. Refer to the Non-GAAP Reconciliation section.

**MANAGEMENT COMMENTS**

Paul F. Blanchard Jr., President and CEO, said, “Fiscal year-to-date capital investment has been focused in two areas: 1) approximately \$4.0 million in the Eagle Ford, primarily for the completion of four wells in the first quarter that were drilled as part of last year’s ten-well Eagle Ford drilling program, and 2) approximately \$1.8 million for drilling activity on relatively small working interest wells in Oklahoma’s STACK/Cana/SCOOP and southeastern Oklahoma Woodford plays. Year-to-date capital investments total \$6.5 million, with \$1.6 million invested in the second quarter.

“During this lower capital investing period, we have continued to direct our free cash flow toward the reduction of debt. As a result, the Company’s debt has been reduced from \$52.2 million at the beginning of fiscal 2018 to \$43.5 million at the end of the second quarter. Subsequently, our debt at the end of April 2018 was reduced further to \$42.0 million, which is a reduction of \$10.2 million or approximately 20% during those 7 months.

“Activity on our mineral acreage in the Oklahoma plays has been robust this year. Drilling and completion operations are currently underway on 32 wells, primarily in STACK/Cana/SCOOP. However, this activity has been in units where we own small working interest participation rights, relative to our average ownership and therefore, does not require a significant capital commitment from us. This is in contrast to last year when our participation was in units where we owned much larger than average working interest participation rights. The year-to-year difference is simply the result of our exceptionally diverse and

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varied mineral ownership in the cores of these plays, where our rights vary from less than 1% in some drilling units up to 50% in others, and the specific units the operators select to drill at any point in time.

“Second quarter 2018 production, in comparison to first quarter, was impacted by three primary factors: 1) relatively steep early decline rates from new high working interest wells placed on production in the second half of 2017 and early 2018, plus temporary production drops associated with the transition of these wells from flowing efficiently up the production casing to requiring downhole equipment modifications to resume efficient flow, 2) the lack of material production from new wells during the quarter and 3) the production loss associated with the sale of 199 marginal working interest properties during the quarter.

“Drilling operations with one rig are planned to begin in mid-May on our Eagle Ford property, where the operator intends to drill six initial wells (\$5.3 million capital requirement) from one pad, with the option to drill eight more wells (\$10.0 million capital requirement) on two additional pads during calendar 2018. Production from this drilling is anticipated to begin in early fiscal 2019 when the first six-well pad is placed on line. The Company has hedged 126,000 barrels of oil in calendar 2019 at approximately \$57.50 per barrel in conjunction with this drilling program as part of our strategy to protect returns on invested capital.”

### FISCAL SECOND QUARTER 2018 RESULTS

For the 2018 second quarter, the Company recorded net income of \$1,070,176, or \$0.06 per diluted share. This compares to a net income of \$3,470,433, or \$0.21 per diluted share, for the 2017 second quarter. Net cash provided by operating activities increased 44% to \$8,161,399 for the 2018 second quarter, versus \$5,664,914 for the 2017 second quarter. Capital expenditures totaled \$1,559,601 in the 2018 second quarter, compared to \$5,546,731 in the 2017 second quarter.

Total revenues for the 2018 second quarter were \$11,421,258, an 18% decrease from \$13,964,288 for the 2017 quarter. Oil, NGL and natural gas sales increased \$3,375,134 or 38% in the 2018 quarter, compared to the 2017 quarter, as a result of a 25% increase in Mcfe production and a 10% increase in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2018 second quarter was \$4.17, compared to \$3.78 for the 2017 second quarter. Lease bonus income decreased \$1,835,005 from \$2,334,203 in the 2017 quarter to \$499,198 in the 2018 quarter. Also, the 2018 quarter included a \$1.3 million loss on derivative contracts, as compared to a \$2.7 million gain for the 2017 quarter.

Gas production increased 21% to 2,107,921 Mcf for the 2018 quarter, compared to the 2017 quarter, while oil production increased 24% to 82,312 barrels versus 66,547 barrels. In addition, 56,747 barrels of NGL were sold in the 2018 quarter, as compared to 33,836 barrels in the 2017 quarter.

Total expenses increased \$684,227 in the 2018 quarter as compared to the 2017 quarter. This increase was mainly driven by an increase in LOE, production tax and DD&A over the prior year quarter due to increased Mcfe production. Although LOE and DD&A expenses increased over the prior year quarter, the per Mcfe rates both declined comparatively.

### SIX MONTHS 2018 RESULTS

For the 2018 six month period, the Company recorded net income of \$14,855,115, or \$0.87 per diluted share. This compares to net income of \$1,232,041, or \$0.07 per diluted share, for the 2017 six months. The 2018 six-month results include a \$12,825,000 decrease in income tax as a result of the new tax law (see income tax below). Net cash provided by operating activities increased 64% year over year to \$15,359,982 for the 2018 six months, versus the 2017 six months. This cash flow fully funded costs to drill and equip wells, as well as significantly pay down our debt. Capital expenditures for the 2018 six months totaled \$6,544,481.

Total revenues for the 2018 six months were \$23,911,784, a 14% increase from \$21,000,931 for the 2017 six months. Oil, NGL and natural gas sales increased \$7,363,335, or 41% in the 2018 six months, compared to the 2017 six months, as a result of a 31% increase in Mcfe production and an 8% increase in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2018 six months was \$3.95, compared to \$3.65 for the 2017 six months. Lease bonus income decreased \$2,576,004 from \$3,172,161 in the 2017 six months to \$596,157 in the 2018 six months. The 2018 six months included a \$1.8 million loss on derivative contracts as compared to a \$38,650 gain for the 2017 period.

Oil production increased 22% in the 2018 six month period to 173,149 barrels from 142,183 barrels in the 2017 six months, while gas production increased 951,704 Mcf, or 26%, compared to the 2017 six months. In addition, 129,148 barrels of NGL were sold in the 2018 six months, which was an 86% increase compared to 2017 NGL volumes.

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Total expenses increased \$1,717,779 in the 2018 period as compared to the 2017 period. This increase was mainly driven by an increase in LOE, production tax and DD&A over the prior year six months due to increased Mcfe production. Although LOE and DD&A expenses increased over the prior year six months, the per Mcfe rates both declined comparatively.

#### INCOME TAX

The provision (benefit) for income tax in the six-month period includes an adjustment of \$12,825,000 (benefit) for net deferred tax liabilities as a result of the Tax Cuts and Jobs Act enacted in December 2017 which reduced income tax rates from 35% to 21%. This adjustment represents the Company's reasonable estimate of the effect of the change in future tax rates on deferred tax items at March 31, 2018. Pre-tax net income was \$2,121,115 for the six-month period of 2018.

#### RESERVES UPDATE

March 31, 2018, mid-year proved reserves were 163.4 Bcfe, as calculated by DeGolyer and MacNaughton, the Company's independent consulting petroleum engineering firm. This was a decrease of 3%, compared to the 168.6 Bcfe of proved reserves at Sept. 30, 2017. SEC prices used for the March 31, 2018, report averaged \$2.65 per Mcf for natural gas, \$50.62 per barrel for oil and \$22.79 per barrel for NGL, compared to \$2.81 per Mcf for natural gas, \$46.31 per barrel for oil and \$17.55 per barrel for NGL at the Sept. 30, 2017, report. These prices reflect the net prices received at the wellhead. Total proved developed reserves decreased 3% to 107.9 Bcfe, as compared to Sept. 30, 2017, reserve volumes.

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**FINANCIAL HIGHLIGHTS**

**Statements of Operations**

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Revenues:				
Oil, NGL and natural gas sales	\$ 12,266,036	\$ 8,890,902	\$ 25,153,455	\$ 17,790,120
Lease bonuses and rentals	499,198	2,334,203	596,157	3,172,161
Gains (losses) on derivative contracts	<u>(1,343,976)</u>	<u>2,739,183</u>	<u>(1,837,828)</u>	<u>38,650</u>
	11,421,258	13,964,288	23,911,784	21,000,931
Costs and expenses:				
Lease operating expenses	3,217,568	3,105,496	6,844,277	6,154,911
Production taxes	497,823	371,553	986,813	739,398
Depreciation, depletion and amortization	4,241,078	4,105,655	9,516,902	8,939,918
Provision for impairment	-	10,788	-	10,788
Loss (gain) on asset sales and other	216,472	91,337	(79,186)	86,998
Interest expense	435,951	286,398	867,530	578,767
General and administrative	<u>1,766,190</u>	<u>1,719,628</u>	<u>3,654,333</u>	<u>3,562,110</u>
	10,375,082	9,690,855	21,790,669	20,072,890
Income (loss) before provision (benefit) for income taxes	1,046,176	4,273,433	2,121,115	928,041
Provision (benefit) for income taxes	<u>(24,000)</u>	<u>803,000</u>	<u>(12,734,000)</u>	<u>(304,000)</u>
Net income (loss)	<u>\$ 1,070,176</u>	<u>\$ 3,470,433</u>	<u>\$ 14,855,115</u>	<u>\$ 1,232,041</u>
Basic and diluted earnings (loss) per common share	<u>\$ 0.06</u>	<u>\$ 0.21</u>	<u>\$ 0.87</u>	<u>\$ 0.07</u>
Basic and diluted weighted average shares outstanding:				
Common shares	16,766,010	16,644,755	16,725,076	16,624,229
Unissued, directors' deferred compensation shares	205,867	277,167	267,005	277,200
	<u>16,971,877</u>	<u>16,921,922</u>	<u>16,992,081</u>	<u>16,901,429</u>
Dividends declared per share of common stock and paid in period	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>

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Balance Sheets

	<u>March 31, 2018</u> (unaudited)	<u>Sept. 30, 2017</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 168,562	\$ 557,791
Oil, NGL and natural gas sales receivables (net of allowance for uncollectable accounts)	6,475,117	7,585,485
Refundable income taxes	792,315	489,945
Assets held for sale	-	557,750
Derivative contracts, net	-	544,924
Other	<u>340,975</u>	<u>253,480</u>
Total current assets	7,776,969	9,989,375
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	422,574,038	434,571,516
Non-producing oil and natural gas properties	7,399,718	7,428,927
Other	<u>1,510,982</u>	<u>1,067,894</u>
	431,484,738	443,068,337
Less accumulated depreciation, depletion and amortization	<u>(240,207,008)</u>	<u>(246,483,979)</u>
Net properties and equipment	191,277,730	196,584,358
Investments	224,308	170,486
Total assets	<u>\$ 199,279,007</u>	<u>\$ 206,744,219</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 785,880	\$ 1,847,230
Derivative contracts, net	1,881,022	-
Accrued liabilities and other	<u>1,378,284</u>	<u>1,690,789</u>
Total current liabilities	4,045,186	3,538,019
Long-term debt	43,500,000	52,222,000
Deferred income taxes	18,280,007	31,051,007
Asset retirement obligations	2,895,355	3,196,889
Derivative contracts, net	89,337	28,765
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 16,895,603 issued at March 31, 2018, and 16,863,004 issued at Sept. 30, 2017	281,481	280,938
Capital in excess of par value	2,566,003	2,726,444
Deferred directors' compensation	2,819,516	3,459,909
Retained earnings	<u>126,837,723</u>	<u>113,330,216</u>
	132,504,723	119,797,507
Less treasury stock, at cost; 119,650 shares at March 31, 2018, and 184,988 shares at Sept. 30, 2017	<u>(2,035,601)</u>	<u>(3,089,968)</u>
Total stockholders' equity	<u>130,469,122</u>	<u>116,707,539</u>
Total liabilities and stockholders' equity	<u>\$ 199,279,007</u>	<u>\$ 206,744,219</u>

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Condensed Statements of Cash Flows

	Six months ended March 31,	
	2018	2017
	(unaudited)	
<b>Operating Activities</b>		
Net income (loss)	\$ 14,855,115	\$ 1,232,041
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	9,516,902	8,939,918
Impairment	-	10,788
Provision for deferred income taxes	(12,771,000)	(76,000)
Gain from leasing of fee mineral acreage	(595,946)	(3,171,490)
Proceeds from leasing of fee mineral acreage	610,552	3,191,075
Net (gain) loss on sale of assets	466,128	87,161
Directors' deferred compensation expense	170,826	176,368
Fair value of derivative contracts	2,486,518	(384,566)
Restricted stock awards	347,838	317,633
Other	(1,337)	(835)
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	1,110,368	136,669
Other current assets	(87,495)	81,325
Accounts payable	(73,066)	(203,053)
Income taxes receivable	(302,370)	(792,488)
Other non-current assets	(66,364)	-
Accrued liabilities	(306,687)	(195,981)
Total adjustments	<u>504,867</u>	<u>8,116,524</u>
Net cash provided by operating activities	<u>15,359,982</u>	<u>9,348,565</u>
<b>Investing Activities</b>		
Capital expenditures	(6,544,481)	(7,721,254)
Investments in partnerships	7,493	(17,220)
Proceeds from sales of assets	<u>1,129,705</u>	<u>718,700</u>
Net cash provided (used) by investing activities	<u>(5,407,283)</u>	<u>(7,019,774)</u>
<b>Financing Activities</b>		
Borrowings under debt agreement	10,596,451	7,038,699
Payments of loan principal	(19,318,671)	(7,538,699)
Purchase of treasury stock	(272,100)	(407,677)
Payments of dividends	<u>(1,347,608)</u>	<u>(1,340,656)</u>
Net cash provided (used) by financing activities	<u>(10,341,928)</u>	<u>(2,248,333)</u>
Increase (decrease) in cash and cash equivalents	(389,229)	80,458
Cash and cash equivalents at beginning of period	<u>557,791</u>	<u>471,213</u>
Cash and cash equivalents at end of period	<u>\$ 168,562</u>	<u>\$ 551,671</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Additions to asset retirement obligations	<u>\$ 13,871</u>	<u>\$ 32,236</u>
Gross additions to properties and equipment	\$ 5,556,196	\$ 10,867,308
Net (increase) decrease in accounts payable for properties and equipment additions	<u>988,285</u>	<u>(3,146,054)</u>
Capital expenditures and acquisitions	<u>\$ 6,544,481</u>	<u>\$ 7,721,254</u>

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Proved Reserves

	Proved Reserves SEC Pricing	
	March 31, 2018	Sept. 30, 2017
<u>Proved Developed Reserves:</u>	(unaudited)	
Barrels of NGL	1,615,186	1,768,425
Barrels of Oil	2,041,085	2,201,528
Mcf of Gas	86,008,174	87,861,043
Mcfe (1)	107,945,800	111,680,761
<u>Proved Undeveloped Reserves:</u>		
Barrels of NGL	528,795	616,274
Barrels of Oil	2,832,003	3,308,139
Mcf of Gas	35,296,239	33,334,077
Mcfe (1)	55,461,027	56,880,555
<u>Total Proved Reserves:</u>		
Barrels of NGL	2,143,981	2,384,699
Barrels of Oil	4,873,088	5,509,667
Mcf of Gas	121,304,413	121,195,120
Mcfe (1)	163,406,827	168,561,316
10% Discounted Estimated Future <u>Net Cash Flows (before income taxes):</u>		
Proved Developed	\$ 109,399,362	\$ 112,276,166
Proved Undeveloped	14,948,256	13,746,585
Total	<u>\$ 124,347,618</u>	<u>\$ 126,022,751</u>
<u>SEC Pricing</u>		
Oil/Barrel	\$ 50.62	\$ 46.31
Gas/Mcf	\$ 2.65	\$ 2.81
NGL/Barrel	\$ 22.79	\$ 17.55

Proved Reserves - Projected Future Pricing (2)

	Proved Reserves	
	March 31, 2018	Sept. 30, 2017
10% Discounted Estimated Future <u>Net Cash Flows (before income taxes):</u>		
Proved Developed	\$ 143,317,737	\$ 146,699,256
Proved Undeveloped	43,285,836	45,395,171
Total	<u>\$ 186,603,573</u>	<u>\$ 192,094,427</u>

(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) Projected futures pricing as of March 31, 2018, and Sept. 30, 2017, basis adjusted to Company wellhead price

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**OPERATING HIGHLIGHTS**

	Second Quarter Ended March 31, 2018	Second Quarter Ended March 31, 2017	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
Mcf Sold	2,942,275	2,351,207	6,364,087	4,868,621
Average Sales Price per Mcfe \$	4.17	\$ 3.78	\$ 3.95	\$ 3.65
Oil Barrels Sold	82,312	66,547	173,149	142,183
Average Sales Price per Barrel \$	63.20	\$ 47.93	\$ 58.28	\$ 46.96
Mcf Sold	2,107,921	1,748,909	4,550,305	3,598,601
Average Sales Price per Mcf \$	2.72	\$ 2.89	\$ 2.60	\$ 2.72
NGL Barrels Sold	56,747	33,836	129,148	69,487
Average Sales Price per Barrel \$	23.60	\$ 19.17	\$ 25.00	\$ 18.90

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcfe Sold
3/31/2018	82,312	2,107,921	56,747	2,942,275
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

The Company's derivative contracts in place for oil and natural gas at March 31, 2018, are outlined in its Form 10-Q for the period ending March 31, 2018.

**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.

	Second Quarter Ended March 31, 2018	Six Months Ended March 31, 2018
Net Income (Loss)	\$ 1,070,176	\$ 14,855,115
Plus:		
Income Tax Expense (Benefit)	(24,000)	(12,734,000)
Interest Expense	435,951	867,530
DD&A	4,241,078	9,516,902
Impairment	-	-
<b>EBITDA</b>	<b>\$ 5,723,205</b>	<b>\$ 12,505,547</b>

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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](http://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 oil and 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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