UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2010

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-5103

BARNWELL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**72-0496921**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1100 Alakea Street, Suite 2900, Honolulu, Hawaii	**96813**
(Address of principal executive offices)	(Zip code)

(808) 531-8400

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

As of August 10, 2010 there were 8,277,160 shares of common stock, par value $0.50, outstanding.

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BARNWELL INDUSTRIES, INC.

AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2010	September 30, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,323,000	$ 6,879,000
Restricted cash	371,000	-
Accounts receivable, net of allowance for doubtful accounts of: $75,000 at June 30, 2010; $47,000 at September 30, 2009	3,946,000	3,978,000
Current taxes receivable	1,822,000	653,000
Prepaid expenses	882,000	1,403,000
Deferred income taxes	170,000	272,000
Real estate held for sale	13,629,000	13,585,000
Other current assets	742,000	591,000
TOTAL CURRENT ASSETS	32,885,000	27,361,000
INVESTMENT IN RESIDENTIAL PARCELS	3,800,000	4,598,000
INVESTMENT IN JOINT VENTURES	1,875,000	1,920,000
INVESTMENT IN LAND INTERESTS	538,000	538,000
PROPERTY AND EQUIPMENT	218,132,000	212,215,000
ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION	(168,925,000)	(160,528,000)
PROPERTY AND EQUIPMENT, NET	49,207,000	51,687,000
TOTAL ASSETS	$ 88,305,000	$ 86,104,000
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,962,000	$ 3,277,000
Accrued capital expenditures	1,166,000	588,000
Accrued incentive plan costs	1,013,000	1,427,000
Other accrued compensation costs	577,000	546,000
Payable to joint interest owners	924,000	1,001,000
Income taxes payable	1,337,000	619,000
Current portion of long-term debt	13,500,000	14,335,000
Other current liabilities	3,466,000	2,212,000
TOTAL CURRENT LIABILITIES	23,945,000	24,005,000
LONG-TERM DEBT	13,000,000	16,665,000

LIABILITY FOR RETIREMENT BENEFITS		**4,990,000**		4,848,000
ASSET RETIREMENT OBLIGATION		**4,785,000**		4,508,000
DEFERRED INCOME TAXES		**3,641,000**		2,858,000
TOTAL LIABILITIES		**50,361,000**		52,884,000
EQUITY:				
BARNWELL INDUSTRIES, INC. STOCKHOLDERS EQUITY:				
Common stock, par value $0.50 per share; Authorized, 20,000,000 shares:				
8,445,060 issued at June 30, 2010; 8,403,060 issued at September 30, 2009		**4,223,000**		4,202,000
Additional paid-in capital		**1,289,000**		1,227,000
Retained earnings		**34,256,000**		30,500,000
Accumulated other comprehensive loss, net		**(827,000)**		(1,349,000)
Treasury stock, at cost:				
167,900 shares at June 30, 2010; 162,900 shares at September 30, 2009		**(2,286,000)**		(2,262,000)
TOTAL BARNWELL INDUSTRIES, INC. STOCKHOLDERS EQUITY		**36,655,000**		32,318,000
Non-controlling interests		**1,289,000**		902,000
TOTAL EQUITY		**37,944,000**		33,220,000
TOTAL LIABILITIES AND EQUITY	**$**	**88,305,000**	$	86,104,000

See Notes to Condensed Consolidated Financial Statements

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BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	**2010**	2009
Revenues:				
Oil and natural gas	**$ 5,947,000**	$ 5,927,000	**$ 20,650,000**	$ 19,187,000
Contract drilling	**1,599,000**	1,420,000	**4,882,000**	3,643,000
Sale of interest in leasehold land, net	**1,128,000**	-	**3,347,000**	201,000
Sale of development rights, net	**-**	-	**2,497,000**	833,000
Gas processing and other	**105,000**	121,000	**328,000**	697,000
	8,779,000	7,468,000	**31,704,000**	24,561,000
Costs and expenses:				
Oil and natural gas operating	**2,659,000**	2,140,000	**7,518,000**	7,036,000
Contract drilling operating	**1,819,000**	1,070,000	**4,203,000**	3,187,000
General and administrative	**1,591,000**	2,086,000	**6,001,000**	6,073,000
Depreciation, depletion, and amortization	**2,163,000**	2,636,000	**6,817,000**	9,184,000
Reduction of carrying value of assets	**-**	4,260,000	**798,000**	26,348,000
Bad debt (recovery) expense	**-**	(129,000)	**-**	465,000
Interest expense, net	**326,000**	247,000	**906,000**	601,000
	8,558,000	12,310,000	**26,243,000**	52,894,000
Earnings (loss) before income taxes	**221,000**	(4,842,000)	**5,461,000**	(28,333,000)
Income tax (benefit) provision	**(282,000)**	(1,567,000)	**852,000**	(8,630,000)
NET EARNINGS (LOSS)	**503,000**	(3,275,000)	**4,609,000**	(19,703,000)
Less: Net earnings (loss) attributable to non-controlling interests	**189,000**	(40,000)	**853,000**	105,000
NET EARNINGS (LOSS) ATTRIBUTABLE TO BARNWELL INDUSTRIES, INC.	**$ 314,000**	$ (3,235,000)	**$ 3,756,000**	$ (19,808,000)
BASIC NET EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO BARNWELL INDUSTRIES, INC. STOCKHOLDERS	**$ 0.04**	$ (0.39)	**$ 0.45**	$ (2.40)
DILUTED NET EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO BARNWELL INDUSTRIES, INC. STOCKHOLDERS	**$ 0.04**	$ (0.39)	**$ 0.45**	$ (2.40)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				

BASIC	**8,277,160**	8,240,160	**8,272,732**	8,240,539
DILUTED	**8,277,160**	8,240,160	**8,272,732**	8,240,539

See Notes to Condensed Consolidated Financial Statements

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BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net earnings (loss)	**$ 4,609,000**	$ (19,703,000)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion, and amortization	**6,817,000**	9,184,000
Reduction of carrying value of assets	**798,000**	26,348,000
Deferred income tax expense (benefit)	**867,000**	(8,362,000)
Retirement benefits expense	**599,000**	378,000
Accretion of asset retirement obligation	**236,000**	202,000
Bad debt expense	**-**	465,000
Asset retirement obligation payments	**(56,000)**	(128,000)
Share-based compensation benefit	**(89,000)**	(370,000)
Retirement plan contributions	**(256,000)**	(4,000)
Sale of interest in leasehold land, net	**(3,347,000)**	(201,000)
Sale of development rights, net	**(2,497,000)**	(833,000)
Additions to real estate held for sale	**(44,000)**	(4,338,000)
Decrease from changes in current assets and liabilities	**(738,000)**	(7,074,000)
Net cash provided by (used in) operating activities	**6,899,000**	(4,436,000)
Cash flows from investing activities:		
Proceeds from sale of development rights, net of fees paid	**2,497,000**	833,000
Proceeds from sale of interest in leasehold land, net of fees paid	**3,347,000**	201,000
Proceeds from sale of oil and natural gas properties	**733,000**	-
Proceeds from gas over bitumen royalty adjustments	**97,000**	162,000
Return of capital distribution from joint venture	**45,000**	-
Refund of deposits on residential parcels	**-**	200,000
Investment in joint ventures	**-**	(164,000)
Capital expenditures - oil and natural gas	**(2,900,000)**	(7,494,000)
Capital expenditures - all other	**(1,038,000)**	(19,000)
Net cash provided by (used in) investing activities	**2,781,000**	(6,281,000)
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	**-**	6,093,000
Repayments of long-term debt	**(4,500,000)**	(603,000)
Contributions from non-controlling interests	**781,000**	31,000
Proceeds from exercise of stock options	**59,000**	-
Purchases of common stock for treasury	**-**	(97,000)
Payment of loan commitment fees	**(104,000)**	(60,000)
Distributions to non-controlling interests	**(1,247,000)**	(181,000)
Net cash (used in) provided by financing activities	**(5,011,000)**	5,183,000
Effect of exchange rate changes on cash and cash equivalents	**(225,000)**	(639,000)

Net increase (decrease) in cash and cash equivalents		**4,444,000**		(6,173,000)
Cash and cash equivalents at beginning of period		**6,879,000**		13,618,000
Cash and cash equivalents at end of period	**$**	**11,323,000**	$	7,445,000

See Notes to Condensed Consolidated Financial Statements

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BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE LOSS

Three months ended June 30, 2010 and 2009

(Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Comprehensive Loss	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-controlling Interests	Total Equity
Balance at March 31, 2009	8,240,160	$ 4,202,000	$ 1,227,000		$ 38,289,000	$ (3,467,000)	$ (2,262,000)	$ 1,046,000	$ 39,035,000
Contributions from non-controlling interests								16,000	16,000
Comprehensive loss:									
Net loss				$ (3,275,000)	(3,235,000)			(40,000)	(3,275,000)
Other comprehensive income:									
Foreign currency translation adjustments, net of $154,000 of taxes				2,850,000		2,850,000			2,850,000
Retirement plans - amortization of accumulated other comprehensive loss into net periodic benefit cost, net of $12,000 of taxes				23,000		23,000			23,000
Total comprehensive loss				(402,000)					
Comprehensive loss attributable to non-controlling interests				40,000					
Comprehensive loss attributable to Barnwell Industries, Inc.				$ (362,000)					
At June 30, 2009	8,240,160	$ 4,202,000	$ 1,227,000		$ 35,054,000	$ (594,000)	$ (2,262,000)	$ 1,022,000	$ 38,649,000
Balance at March 31, 2010	8,277,160	$ 4,223,000	$ 1,289,000		$ 33,942,000	$ 815,000	$ (2,286,000)	$ 776,000	$ 38,759,000
Contributions from non-controlling interests								653,000	653,000
								(329,000)	(329,000)

Distributions to non-controlling interests									
Comprehensive loss:									
Net earnings				$ 503,000	314,000			189,000	503,000
Other comprehensive loss foreign currency translation adjustments, net of $0 tax benefit				(1,709,000)		(1,709,000)			(1,709,000)
Other comprehensive income retirement plans - amortization of accumulated other comprehensive loss into net periodic benefit cost, net of taxes of $0				67,000		67,000			67,000
Total comprehensive loss				(1,139,000)					
Comprehensive income attributable to non-controlling interests				(189,000)					
Comprehensive loss attributable to Barnwell Industries, Inc.				**$ (1,328,000)**					
At June 30, 2010	**8,277,160**	**$ 4,223,000**	**$ 1,289,000**		**$ 34,256,000**	**$ (827,000)**	**$ (2,286,000)**	**$ 1,289,000**	**$ 37,944,000**

See Notes to Condensed Consolidated Financial Statements

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BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS)

Nine months ended June 30, 2010 and 2009

(Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Comprehensive Income (Loss)	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-controlling Interests	Total Equity
Balance at September 30, 2008	8,252,860	$ 4,202,000	$ 1,222,000		$ 54,862,000	$ 3,143,000	$ (2,165,000)	$ 1,067,000	$ 62,331,000
Share-based compensation costs			5,000						5,000
Purchases of 12,700 common shares for treasury	(12,700)						(97,000)		(97,000)
Contributions from non-controlling interests								31,000	31,000
Distributions to non-controlling interests								(181,000)	(181,000)
Comprehensive loss:									
Net loss				$ (19,703,000)	(19,808,000)			105,000	(19,703,000)
Other comprehensive loss foreign currency translation adjustments, net of $2,924,000 tax benefit				(3,807,000)		(3,807,000)			(3,807,000)
Other comprehensive income retirement plans - amortization of accumulated other comprehensive loss into net periodic benefit cost, net of $36,000 of taxes				70,000		70,000			70,000
Total comprehensive loss				(23,440,000)					
Comprehensive income attributable to non-controlling interests				(105,000)					
Comprehensive loss attributable to Barnwell Industries, Inc.				$ (23,545,000)					

At June 30, 2009	8,240,160	$ 4,202,000	$ 1,227,000		$ 35,054,000	$ (594,000)	$ (2,262,000)	$ 1,022,000	$ 38,649,000
Balance at September 30, 2009	8,240,160	$ 4,202,000	$ 1,227,000		$ 30,500,000	$ (1,349,000)	$ (2,262,000)	$ 902,000	$ 33,220,000
Exercise of stock options - 42,000 shares, net of 5,000 shares tendered and placed in treasury	37,000	21,000	62,000				(24,000)		59,000
Contributions from non-controlling interests								781,000	781,000
Distributions to non-controlling interests								(1,247,000)	(1,247,000)
Comprehensive income:									
Net earnings				$ 4,609,000	3,756,000			853,000	4,609,000
Other comprehensive income:									
Foreign currency translation adjustments, net of taxes of $0				321,000		321,000			321,000
Retirement plans - amortization of accumulated other comprehensive loss into net periodic benefit cost, net of taxes of $0				201,000		201,000			201,000
Total comprehensive income				5,131,000					
Comprehensive income attributable to non-controlling interests				(853,000)					
Comprehensive income attributable to Barnwell Industries, Inc.				**$ 4,278,000**					
At June 30, 2010	**8,277,160**	**$ 4,223,000**	**$ 1,289,000**		**$ 34,256,000**	**$ (827,000)**	**$ (2,286,000)**	**$ 1,289,000**	**$ 37,944,000**

See Notes to Condensed Consolidated Financial Statements

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BARNWELL INDUSTRIES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Barnwell Industries, Inc. and all majority-owned subsidiaries, including an indirect 77.6%-owned land investment general partnership and two 80%-owned joint ventures (collectively referred to herein as Barnwell, we, our, us, or the Company). All signifi intercompany accounts and transactions have been eliminated. Investments in companies over which Barnwell has the ability to exercise significant influence, but not control, are accounted for using the equity method.

Unless otherwise indicated, all references to dollars in this Form 10-Q are to U.S. dollars.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements and notes have been prepared by Barnwell in accordance with the rules and regulations of the United States (U.S.) Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in Barnwell s September 30, 2009 Annual Report on Form 10-K. The Condensed Consolidated Balance Sheet as of September 30, 2009 has been derived from audited consolidated financial statements.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at June 30, 2010, results of operations for the three and nine months ended June 30, 2010 and 2009, and cash flows for the nine months ended June 30, 2010 and 2009, have been made. The results of operations for the period ended June 30, 2010 are not necessarily indicative of the operating results for the full year.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management of Barnwell to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ significantly from those estimates.

Significant Accounting Policies

Barnwell s significant accounting policies are described in the Notes to Consolidated Financial Statements included in Item 8 of the Company s most recently filed Annual Report on Form 10-K.

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Reclassifications

Certain prior year amounts within this Form 10-Q have been reclassified to conform to the presentation adopted in the current year.

2. EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per share excludes dilution and is computed by dividing net earnings (loss) attributable to Barnwell stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per share includes the potentially dilutive effect of outstanding common stock options.

Reconciliations between net earnings (loss) attributable to Barnwell stockholders and common shares outstanding of the basic and diluted net earnings (loss) per share computations for the three and nine months ended June 30, 2010 and 2009 are as follows:

	Three months ended June 30, 2010		
	Net Earnings (Numerator)	Shares (Denominator)	Per-Share Amount
Basic net earnings per share	**$ 314,000**	**8,277,160**	**$ 0.04**
Effect of dilutive securities - common stock options	**-**	**-**	
Diluted net earnings per share	**$ 314,000**	**8,277,160**	**$ 0.04**

	Nine months ended June 30, 2010		
	Net Earnings (Numerator)	Shares (Denominator)	Per-Share Amount
Basic net earnings per share	**$ 3,756,000**	**8,272,732**	**$ 0.45**
Effect of dilutive securities - common stock options	**-**	**-**	
Diluted net earnings per share	**$ 3,756,000**	**8,272,732**	**$ 0.45**

	Three months ended June 30, 2009		
	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
Basic net loss per share	$ (3,235,000)	8,240,160	$ (0.39)
Effect of dilutive securities - common stock options	-	-	
Diluted net loss per share	$ (3,235,000)	8,240,160	$ (0.39)

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	Nine months ended June 30, 2009		
	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
Basic net loss per share	$ (19,808,000)	8,240,539	$ (2.40)
Effect of dilutive securities - common stock options	-	-	
Diluted net loss per share	$ (19,808,000)	8,240,539	$ (2.40)

Potential dilutive shares consist of the common shares issuable upon the exercise of outstanding stock options (both vested and non-vested) using the treasury stock method. Potential dilutive shares are excluded from the computation of earnings (loss) per share if their effect is antidilutive. Options to purchase 871,000 shares of common stock were excluded from the computation of diluted shares for the three and nine months ended June 30, 2010 and options to purchase 718,000 shares of common stock were excluded from the computation of diluted shares for the three and nine months ended June 30, 2009 as their inclusion would have been antidilutive.

3. SHARE-BASED PAYMENTS

The Company s share-based compensation (benefit) expense and related income tax effects for the three and nine months ended June 30, 2010 and 2009 are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	**2010**	2009
Share-based compensation (benefit) expense	**$ (306,000)**	$ 46,000	**$ (89,000)**	$ (370,000)
Income tax effect - (benefit) provision	**$ -**	$ (16,000)	**$ -**	$ 127,000

Share-based compensation (benefit) expense recognized in earnings (loss) for the three and nine months ended June 30, 2010 and 2009 are reflected in General and administrative expenses in the Condensed Consolidated Statements of Operations. There was no impact on income taxes for the three and nine months ended June 30, 2010 due to a full valuation allowance on the related deferred tax asset.

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Equity-classified Awards

A summary of the activity in Barnwell s equity-classified share options as of the beginning and end of the three and nine months ended June 30, 2010 is presented below:

	Three months ended June 30, 2010			
Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at April 1, 2010	60,000	$ 8.62		
Granted	-			
Exercised	-			
Expired	-			
Forfeited	-			
Outstanding at June 30, 2010	60,000	$ 8.62	4.4	$ -
Exercisable at June 30, 2010	60,000	$ 8.62	4.4	$ -

	Nine months ended June 30, 2010			
Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at October 1, 2009	222,000	$ 7.83		
Granted	-			
Exercised	(42,000)	$ 1.98		
Expired	(120,000)	$ 9.48		
Forfeited	-			
Outstanding at June 30, 2010	60,000	$ 8.62	4.4	$ -
Exercisable at June 30, 2010	60,000	$ 8.62	4.4	$ -

Total share-based compensation expense for equity-classified awards vested in the three and nine months ended June 30, 2010 was nil, as compared to nil and $5,000 during the three and nine months ended June 30, 2009, respectively.

The total intrinsic value of equity options exercised during the nine months ended June 30, 2010 was $115,000. No equity options were exercised during the three months ended June 30, 2010 or during the three and nine months ended June 30, 2009.

Liability-classified Awards

As of June 30, 2010, there was $377,000 of total unrecognized compensation cost related to nonvested liability-classified share options. That cost is expected to be recognized over 3.1 years. In

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December 2009, Barnwell granted stock options under the 2008 Equity Incentive Plan to acquire 337,500 shares of Barnwell s common stock under a non-qualified plan at a purchase price of $4.32 per share (market price on date of grant). These options vest annually over four years commencing one year from the date of grant and expire in December 2019. These options have stock appreciation rights that permit the holders to receive stock, cash or a combination thereof equal to the amount by which the fair market value, at the time of exercise of the option, exceeds the option price.

The following assumptions were used in estimating fair value for all liability-classified share options outstanding during the three and nine months ended June 30, 2010 and 2009:

	Three and nine months ended June 30,	
	2010	2009
Expected volatility range	47.4% to 69.3%	45.8% to 57.1%
Weighted-average volatility	51.8%	49.5%
Expected dividends	0.0%	0.4% to 0.7%
Expected term (in years)	0.2 to 9.5	5.4 to 8.9
Risk-free interest rate	0.2% to 3.0%	2.9% to 3.4%
Expected forfeitures	None	None

The application of alternative assumptions could produce significantly different estimates of the fair value of share-based compensation, and consequently, the related costs reported in the Condensed Consolidated Statements of Operations.

A summary of the activity in Barnwell s liability-classified share options as of the beginning and end of the three and nine months ended June 30, 2010 is presented below:

	Three months ended June 30, 2010			
Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at April 1, 2010	811,000	$ 8.23		
Granted	-			
Exercised	-			

Expired	-			
Forfeited	-			
Outstanding at June 30, 2010	811,000	$ 8.23	7.8	$ -
Exercisable at June 30, 2010	326,000	$ 10.39	6.2	$ -

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Options	Shares	Nine months ended June 30, 2010 Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at October 1, 2009	496,000	$ 10.89		
Granted	337,500	$ 4.32		
Exercised	-			
Expired	-			
Forfeited	(22,500)	$ 8.25		
Outstanding at June 30, 2010	811,000	$ 8.23	7.8	$ -
Exercisable at June 30, 2010	326,000	$ 10.39	6.2	$ -

Total share-based compensation benefit for liability-classified awards for the three and nine months ended June 30, 2010 was $306,000 and $89,000, respectively, as compared to a $46,000 expense and a $375,000 benefit during the three and nine months ended June 30, 2009, respectively. Included in share-based compensation for liability-classified awards for the three and nine months ended June 30, 2010 were $72,000 and $170,000, respectively, of compensation expense related to shares that vested during each respective period and $378,000 and $259,000, respectively, of compensation benefits due to remeasurement at June 30, 2010 of the fair value of previously vested shares. Included in share-based compensation for liability-classified awards for the three and nine months ended June 30, 2009 were $35,000 and $135,000, respectively, of compensation expense related to shares that vested during each respective period and an $11,000 expense and a $510,000 benefit, respectively, due to remeasurement at June 30, 2009 of the fair value of previously vested shares.

4. REAL ESTATE HELD FOR SALE AND INVESTMENT IN RESIDENTIAL PARCELS

Kaupulehu 2007, LLLP (Kaupulehu 2007) is a Hawaii limited liability limited partnership 80%-owned by Barnwell and 20%-owned by Nearco, Inc. (Nearco), a company controlled by a former director of Barnwell and owner of a non-controlling interest in certain of Barnwell s business ventures (see further discussion on related party interests at Note 11 below).

Kaupulehu 2007 develops luxury residences for sale and invests in residential lots in the Lot 4A Increment I area located approximately six miles north of the Kona International Airport in the North Kona District of the island of Hawaii, adjacent to Hualalai Resort at Historic Ka upulehu, between the Queen Kaahumanu Highway and the Pacific Ocean. At June 30, 2010, Kaupulehu 2007 owns two completed luxury residences classified as Real Estate Held for Sale and two parcels held for investment classified as Investment in Residential Parcels.

Kaupulehu 2007 capitalizes interest costs during development and construction and includes these costs in cost of sales when homes are sold. As construction of the homes was completed during fiscal 2009, no interest was capitalized during the three and nine months ended June 30, 2010. Interest costs capitalized for the three and nine months ended June 30, 2009 totaled $30,000 and $253,000, respectively.

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Kaupulehu 2007 has an agreement with the son of a former director of Barnwell and owner of a non-controlling interest in certain of Barnwell s ventures (see further discussion on related party interests at Note 11 below), under which he served as Kaupulehu 2007 s project manager. Kaupulehu 2007 also has an agreement with the independent building contractor that constructed the two luxury homes for Kaupulehu 2007. A significant provision of the agreements is that both the project manager and independent building contractor will receive 20% of the sales profit upon the sale of each of the two homes constructed by Kaupulehu 2007.

As a result of real estate sales prices and activity in the area where Barnwell s investment in residential parcels is located, Barnwell determined that a reduction of the carrying value of its investment in residential parcels was necessary in the quarter ended December 31, 2009. Accordingly, Barnwell recorded a $798,000 reduction of the carrying value of its investment in residential parcels during the nine months ended June 30, 2010. No reduction was necessary during the three months ended June 30, 2010 or during the three and nine months ended June 30, 2009.

5. INVESTMENT IN JOINT VENTURES

Kaupulehu Investors, LLC, a limited liability company 80%-owned by Barnwell and 20%-owned by Nearco, owns 1.5% passive minority interests in Hualalai Investors JV, LLC and Hualalai Investors II, LLC, owners of Hualalai Resort, and a 1.5% passive minority interest in Kona Village Investors, LLC, owner of Kona Village Resort. Kaupulehu Investors, LLC, accounts for its 1.5% passive investments under the cost method. These investments are classified as Investment in Joint Ventures at June 30, 2010 and September 30, 2009.

Kaupulehu Investors, LLC received a $45,000 cash distribution in March 2010 from Kona Village Investors, LLC, representing a return of capital.

6. INVESTMENT IN LAND INTERESTS

The land interests held by Barnwell at June 30, 2010 include:

- Development rights under option;

- Rights to receive payments from WB KD Acquisition, LLC (WB) and WB KD Acquisition II, LLC (WBKD) resulting from the sale of lots and/or residential units within approximately 870 acres in the Kaupulehu area by WB and WBKD;

- Approximately 1,000 acres of vacant leasehold land zoned conservation (Lot 4C) which is under a right of negotiation with WB and/or WBKD; and

- Lot acquisition rights in agricultural-zoned leasehold land in the upland area of Kaupulehu (Mauka Lands).

There is no assurance with regards to the amounts of future payments to be received, nor is there any assurance that WB and/or WBKD will enter into an agreement with Kaupulehu Developments regarding Lot 4C. Furthermore, there is no assurance that the required land use reclassification and rezoning from regulatory agencies will be obtained nor is there any assurance that

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the necessary development terms and agreements will be successfully negotiated for Lot 4C and the Mauka Lands. Barnwell s cost of land interests at June 30, 2010 and September 30, 2009 is classified as Investment in Land Interests and consists of the following amounts:

Leasehold land zoned conservation Lot 4C	$	50,000
Lot acquisition rights Mauka Lands		488,000
Total investment in land interests	$	538,000

7. RESTRICTED CASH AND LONG-TERM DEBT

A summary of Barnwell s long-term debt as of June 30, 2010 and September 30, 2009 is as follows:

		June 30, 2010		September 30, 2009
Canadian revolving credit facility	**$**	**13,000,000**	$	15,000,000
Real estate credit facility		**13,500,000**		16,000,000
		26,500,000		31,000,000
Less: current portion		**(13,500,000)**		(14,335,000)
Total long-term debt	**$**	**13,000,000**	$	16,665,000

Canadian revolving credit facility

Barnwell s credit facility at Royal Bank of Canada, a Canadian bank, was renewed in April 2010 for $20,000,000 Canadian dollars, unchanged from the prior year amount, or approximately US$18,858,000 at the June 30, 2010 exchange rate. Borrowings under this facility were US$13,000,000 at June 30, 2010 and are included in long-term debt. At June 30, 2010, Barnwell had unused credit available under this facility of approximately US$5,858,000. The interest rate on this facility at June 30, 2010 was 3.60%.

The facility is available in U.S. dollars at the London Interbank Offer Rate plus 3.25%, at U.S. prime plus 2.25%, or in Canadian dollars at Canadian prime plus 2.25%. A standby fee of 0.8125% per annum is charged on the unused facility balance. Additionally, Barnwell paid a fee of $49,000 to renew the facility. Under the financing agreement with Royal Bank of Canada, the facility is reviewed annually, with the next review planned for April 2011. Subject to that review, the facility may be extended one year with no required debt repayments for one year or converted to a two-year term loan by the bank. If the facility is converted to a two-year term loan, Barnwell has agreed to the following repayment schedule of the then outstanding loan balance: first year of the term period   20% (5% per quarter), and in the second year of the term period   80% (5% per quarter for the first three quarters and 65% in the final quarter). Based on the terms of this agreement, if Royal Bank of Canada were to convert the facility to a two-year term loan upon its next review in April 2011, Barnwell would be obligated to make quarterly principal and interest repayments beginning in July 2011. As no debt repayments will be required on or before June 30, 2011, the entire outstanding loan balance at June 30, 2010 is classified as long-term debt.

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Real estate credit facility

On April 8, 2010, Kaupulehu 2007 modified its $16,000,000 revolving line of credit agreement with its Hawaii financial institution. Under the loan modification, the facility termination date was extended from December 2010 to February 1, 2012 and Kaupulehu 2007 made a $2,000,000 principal payment. The modified agreement changes the facility to non-revolving and also requires Kaupulehu 2007 to make scheduled quarterly principal payments of $500,000 per quarter due on March 31, June 30, September 30 and December 31 of each year. The first $500,000 payment was made on June 30, 2010, reducing the facility amount to $13,500,000 at June 30, 2010. If Kaupulehu 2007 sells one of its homes, the quarterly payments will be reduced to $250,000 per quarter. The outstanding principal balance bears interest at a rate equal to the higher of the financial institution s floating base rate or 4.5%. The interest rate on this facility at June 30, 2010 was 4.5%. Any unpaid principal balance and accrued interest will be due and payable on February 1, 2012. Additionally, Kaupulehu 2007 paid a $55,000 fee in April 2010 to modify the terms of the facility. The credit facility, which is fully guaranteed by Barnwell and guaranteed 20% by Mr. Terry Johnston, is collateralized by, among other things, a first mortgage lien on the parcels and homes.

The modified agreement specifies that Kaupulehu 2007 maintain an interest reserve account which serves as collateral for the facility. The reserve account is classified as restricted cash and interest is deducted from this reserve on a monthly basis. On April 8, 2010, Kaupulehu 2007 funded the interest reserve account with $473,000 to cover estimated interest payments through December 2010. On January 1, 2011, Kaupulehu 2007 must replenish the interest reserve account to cover estimated interest payments through the credit termination date, based on the then-outstanding principal balance of the credit facility and the prevailing interest rate.

Under the modified agreement, the principal balance of the credit facility may not exceed the sum of 75% of the as-is value of the lots and 80% of the as-is value of the homes through December 30, 2010, after which the principal balance of the credit facility may not exceed the sum of 60% of the as-is value of the lots and 70% of the as-is value of the homes. If borrowings under the facility exceed the loan to value ratio, Kaupulehu 2007 will be required to make debt repayments in the amount of the excess. Kaupulehu 2007 will be required to make a principal payment upon the sale of a home and lot in an amount equal to the greater of (1) 100% of the net sales proceeds of the home and lot or (2) $1,500,000 for each of the two lots and $7,000,000 for each of the two homes.

As both houses are currently available for sale, the entire $13,500,000 outstanding at June 30, 2010 under the real estate credit facility has been classified as a current liability.

Interest costs for the three and nine months ended June 30, 2010 and 2009 are summarized as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	**2010**	2009
Interest costs incurred	**$ 326,000**	$ 277,000	**$ 906,000**	$ 854,000
Less interest costs capitalized	**-**	30,000	**-**	253,000
Interest expense	**$ 326,000**	$ 247,000	**$ 906,000**	$ 601,000

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8. SEGMENT INFORMATION

Barnwell operates four segments: 1) exploring for, developing, producing and selling oil and natural gas in Canada (oil and natural gas); 2) investing in leasehold land and other real estate interests in Hawaii (land investment); 3) drilling wells and installing and repairing water pumping systems in Hawaii (contract drilling); and 4) acquiring property for investment and development of homes for sale in Hawaii (residential real estate).

The following is certain financial information related to Barnwell s reporting segments. All revenues reported are from external customers with no intersegment sales or transfers.

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	**2010**	2009
Revenues:				
Oil and natural gas	**$ 5,947,000**	$ 5,927,000	**$ 20,650,000**	$ 19,187,000
Land investment				