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, 2020

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.50 par value	BRN	NYSE American

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. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

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

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☒
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 7, 2020 there were 8,277,160 shares of common stock, par value $0.50, outstanding.

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, 2020	September 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 4,106,000**	$ 4,613,000
Accounts and other receivables, net of allowance for doubtful accounts of: $329,000 at June 30, 2020; $44,000 at September 30, 2019	**2,245,000**	1,884,000
Income taxes receivable	**468,000**	386,000
Other current assets	**1,321,000**	1,821,000
Total current assets	**8,140,000**	8,704,000
Income taxes receivable, net of current portion	**—**	230,000
Asset for retirement benefits	**1,593,000**	—
Investments	**801,000**	980,000
Operating lease right-of-use assets	**272,000**	—
Property and equipment	**73,628,000**	72,522,000
Accumulated depletion, depreciation, and amortization	**(68,449,000)**	(64,134,000)
Property and equipment, net	**5,179,000**	8,388,000
Total assets	**$ 15,985,000**	$ 18,302,000
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	**$ 1,877,000**	$ 1,223,000
Accrued capital expenditures	**689,000**	287,000
Accrued compensation	**199,000**	205,000
Accrued operating and other expenses	**1,199,000**	1,079,000
Current portion of operating lease liabilities	**107,000**	—
Current portion of asset retirement obligation	**664,000**	330,000
Other current liabilities	**1,714,000**	1,644,000
Total current liabilities	**6,449,000**	4,768,000
Deferred rent	**—**	193,000
Long-term debt	**83,000**	—
Operating lease liabilities	**171,000**	—
Liability for retirement benefits	**4,675,000**	5,785,000
Asset retirement obligation	**5,878,000**	6,059,000
Deferred income tax liabilities	**161,000**	168,000
Total liabilities	**17,417,000**	16,973,000
Commitments and contingencies		
Equity:		
Common stock, par value $0.50 per share; authorized, 20,000,000 shares: 8,445,060 issued at June 30, 2020 and September 30, 2019	**4,223,000**	4,223,000
Additional paid-in capital	**1,350,000**	1,350,000
(Accumulated deficit) retained earnings	**(4,525,000)**	859,000
Accumulated other comprehensive loss, net	**(274,000)**	(2,917,000)
Treasury stock, at cost: 167,900 shares at June 30, 2020 and September 30, 2019	**(2,286,000)**	(2,286,000)
Total stockholders' (deficit) equity	**(1,512,000)**	1,229,000
Non-controlling interests	**80,000**	100,000
Total (deficit) equity	**(1,432,000)**	1,329,000
Total liabilities and equity	**$ 15,985,000**	$ 18,302,000

See Notes to Condensed Consolidated Financial Statements

BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	**2020**	2019
Revenues:				
Oil and natural gas	**$ 830,000**	$ 1,688,000	**$ 4,881,000**	$ 4,844,000
Contract drilling	**3,040,000**	1,689,000	**8,279,000**	3,839,000
Sale of interest in leasehold land	**—**	—	**—**	165,000
Gas processing and other	**114,000**	32,000	**256,000**	119,000
	3,984,000	3,409,000	**13,416,000**	8,967,000
Costs and expenses:				
Oil and natural gas operating	**981,000**	1,314,000	**3,479,000**	3,900,000
Contract drilling operating	**1,967,000**	1,242,000	**5,552,000**	3,789,000
General and administrative	**1,248,000**	1,352,000	**4,775,000**	4,361,000
Depletion, depreciation, and amortization	**478,000**	731,000	**1,870,000**	2,308,000
Impairment of assets	**2,689,000**	—	**4,326,000**	2,413,000
Interest expense	**1,000**	—	**1,000**	4,000
Gain on sale of asset	**—**	—	**(1,336,000)**	—
	7,364,000	4,639,000	**18,667,000**	16,775,000
Loss before equity in loss of affiliates and income taxes	**(3,380,000)**	(1,230,000)	**(5,251,000)**	(7,808,000)
Equity in loss of affiliates	**(111,000)**	(259,000)	**(179,000)**	(545,000)
Loss before income taxes	**(3,491,000)**	(1,489,000)	**(5,430,000)**	(8,353,000)
Income tax benefit	**(24,000)**	(91,000)	**(26,000)**	(231,000)
Net loss	**(3,467,000)**	(1,398,000)	**(5,404,000)**	(8,122,000)
Less: Net loss attributable to non-controlling interests	**(11,000)**	(33,000)	**(20,000)**	(32,000)
Net loss attributable to Barnwell Industries, Inc.	**$ (3,456,000)**	$ (1,365,000)	**$ (5,384,000)**	$ (8,090,000)
Basic and diluted net loss per common share attributable to Barnwell Industries, Inc. stockholders	**$ (0.42)**	$ (0.16)	**$ (0.65)**	$ (0.98)
Weighted-average number of common shares outstanding:				
Basic and diluted	**8,277,160**	8,277,160	**8,277,160**	8,277,160

See Notes to Condensed Consolidated Financial Statements

BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	**2020**	2019
Net loss	**$ (3,467,000)**	$ (1,398,000)	**$ (5,404,000)**	$ (8,122,000)
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net of taxes of $0	**(125,000)**	89,000	**(36,000)**	(194,000)
Retirement plans:				
Amortization of accumulated other comprehensive loss into net periodic benefit cost, net of taxes of $0	**20,000**	9,000	**100,000**	42,000
Net actuarial gains arising during the period, net of taxes of $0	**—**	—	**880,000**	—
Curtailment gain, net of taxes of $0	**—**	—	**1,699,000**	—
Total other comprehensive (loss) income	**(105,000)**	98,000	**2,643,000**	(152,000)
Total comprehensive loss	**(3,572,000)**	(1,300,000)	**(2,761,000)**	(8,274,000)
Less: Comprehensive loss attributable to non-controlling interests	**(11,000)**	(33,000)	**(20,000)**	(32,000)
Comprehensive loss attributable to Barnwell Industries, Inc.	**$ (3,561,000)**	$ (1,267,000)	**$ (2,741,000)**	$ (8,242,000)

See Notes to Condensed Consolidated Financial Statements

BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)
Nine months ended June 30, 2020 and 2019
(Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Non-controlling Interests	Total Equity (Deficit)
Balance at September 30, 2018	8,277,160	$ 4,223,000	$ 1,350,000	$ 13,253,000	$ (514,000)	$ (2,286,000)	$ 213,000	$ 16,239,000
Cumulative impact from the adoption of ASU No. 2014-09	—	—	—	20,000	—	—	—	20,000
Distributions to non-controlling interests	—	—	—	—	—	—	(110,000)	(110,000)
Net loss	—	—	—	(8,090,000)	—	—	(32,000)	(8,122,000)
Foreign currency translation adjustments, net of taxes of $0	—	—	—	—	(194,000)	—	—	(194,000)
Retirement plans - amortization of accumulated other comprehensive loss into net periodic benefit cost, net of taxes of $0	—	—	—	—	42,000	—	—	42,000
Balance at June 30, 2019	8,277,160	$ 4,223,000	$ 1,350,000	$ 5,183,000	$ (666,000)	$ (2,286,000)	$ 71,000	$ 7,875,000
Balance at September 30, 2019	8,277,160	$ 4,223,000	$ 1,350,000	$ 859,000	$ (2,917,000)	$ (2,286,000)	$ 100,000	$ 1,329,000
Net loss	—	—	—	(5,384,000)	—	—	(20,000)	(5,404,000)
Foreign currency translation adjustments, net of taxes of $0	—	—	—	—	(36,000)	—	—	(36,000)
Retirement plans:								
Amortization of accumulated other comprehensive loss into net periodic benefit cost, net of taxes of $0	—	—	—	—	100,000	—	—	100,000
Net actuarial gains arising during the period, net of taxes of $0	—	—	—	—	880,000	—	—	880,000
Curtailment gain, net of taxes of $0	—	—	—	—	1,699,000	—	—	1,699,000
Balance at June 30, 2020	**8,277,160**	**$ 4,223,000**	**$ 1,350,000**	**$ (4,525,000)**	**$ (274,000)**	**$ (2,286,000)**	**$ 80,000**	**$ (1,432,000)**

See Notes to Condensed Consolidated Financial Statements

BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	**$ (5,404,000)**	$ (8,122,000)
Adjustments to reconcile net loss to net cash		
provided by (used in) operating activities:		
Equity in loss of affiliates	**179,000**	545,000
Depletion, depreciation, and amortization	**1,870,000**	2,308,000
Gain on sale of asset	**(1,336,000)**	—
Impairment of assets	**4,326,000**	2,413,000
Retirement benefits (income) expense	**(18,000)**	133,000
Income tax receivable, noncurrent	—	(31,000)
Non-cash rent expense	**48,000**	65,000
Accretion of asset retirement obligation	**415,000**	452,000
Deferred income tax benefit	**(7,000)**	(134,000)
Asset retirement obligation payments	**(457,000)**	(310,000)
Share-based compensation benefit	—	(31,000)
Retirement plan contributions and payments	**(6,000)**	(121,000)
Bad debt expense	**280,000**	—
Sale of interest in leasehold land, net of fees paid	—	(124,000)
Increase from changes in current assets and liabilities	**582,000**	1,326,000
Net cash provided by (used in) operating activities	**472,000**	(1,631,000)
Cash flows from investing activities:		
Proceeds from the maturity of certificates of deposit	—	741,000
Distribution from equity investees in excess of earnings	—	352,000
Net proceeds from sale of interest in leasehold land	—	124,000
Proceeds from sale of oil and natural gas assets	**608,000**	1,519,000
Proceeds from the sale of asset	**1,100,000**	—
Payments to acquire oil and natural gas properties	—	(355,000)
Capital expenditures - oil and natural gas	**(2,509,000)**	(58,000)
Capital expenditures - all other	**(315,000)**	(1,221,000)
Issuance of note receivable	—	(300,000)
Net cash (used in) provided by investing activities	**(1,116,000)**	802,000
Cash flows from financing activities:		
Borrowings on long-term debt	**147,000**	—
Distributions to non-controlling interests	—	(110,000)
Net cash provided by (used in) financing activities	**147,000**	(110,000)
Effect of exchange rate changes on cash and cash equivalents	**(10,000)**	9,000
Net decrease in cash and cash equivalents	**(507,000)**	(930,000)
Cash and cash equivalents at beginning of period	**4,613,000**	5,965,000
Cash and cash equivalents at end of period	**$ 4,106,000**	$ 5,035,000

See Notes to Condensed Consolidated Financial Statements

BARNWELL INDUSTRIES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Barnwell Industries, Inc. and all majority-owned subsidiaries (collectively referred to herein as "Barnwell," "we," "our," "us," or the "Company"), including a 77.6%-owned land investment general partnership (Kaupulehu Developments) and a 75%-owned land investment partnership (KD Kona 2013 LLLP). All significant intercompany accounts and transactions have been eliminated.

Undivided interests in oil and natural gas exploration and production joint ventures are consolidated on a proportionate basis. Barnwell's investments in both unconsolidated entities in which a significant, but less than controlling, interest is held and in variable interest entities in which the Company is not deemed to be the primary beneficiary are accounted for by 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, 2019 Annual Report on Form 10-K, as amended by our Form 10-K/A Amendment No. 1 and Form 10-K/A Amendment No. 2. The Condensed Consolidated Balance Sheet as of September 30, 2019 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, 2020, results of operations and comprehensive loss for the three and nine months ended June 30, 2020 and 2019, and equity (deficit) and cash flows for the nine months ended June 30, 2020 and 2019, have been made. The results of operations for the period ended June 30, 2020 are not necessarily indicative of the operating results for the full year.

Use of Estimates in the Preparation of Condensed Consolidated Financial Statements

The preparation of the condensed consolidated 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 assumptions are required in the valuation of deferred tax assets, asset retirement obligations, share-based payment arrangements, obligations for retirement plans, contract drilling estimated costs to complete, proved oil and natural gas reserves, and the carrying value of other assets, and such assumptions may impact the amount at which such items are recorded.

Significant Accounting Policies

Other than the accounting policies implemented in connection with the adoption of Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)" discussed in Note 13, there have been no changes to Barnwell's significant accounting policies as 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, as amended by our Form 10-K/A Amendment No. 1 and Form 10-K/A Amendment No. 2.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, "Leases (Topic 842)," which requires an entity to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with terms greater than 12 months at the lease commencement date. The Company adopted the provisions of this ASU effective October 1, 2019. See Note 13 "Leases and Gain on Sale of Asset."

In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income," which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The Company adopted the provisions of this ASU effective October 1, 2019. The adoption of this update did not have an impact on Barnwell's consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-09, "Codification Improvements," which provides further clarification to the codification literature. The Company adopted the provisions of this ASU effective October 1, 2019. The adoption of this update did not have an impact on Barnwell's consolidated financial statements.

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus ("COVID-19") outbreak a global pandemic and the United States and Canadian governments declared the virus a national emergency shortly thereafter. As a result, the normal operations of many businesses have been disrupted, including the temporary closure or scale-back of business operations and/or the imposition of either quarantine or remote work or meeting requirements for employees, either by government order or on a voluntary basis. The global economy, our markets and our business have been materially and adversely affected by COVID-19.

The COVID-19 outbreak has caused significant reductions in demand for oil and oil prices, which has caused the Company to suspend the development of proved undeveloped reserves and has impacted the Company's financial condition and outlook. While the Company's contract drilling segment continues to work, the impact of COVID-19 on the ability or desire for customers to continue such work is uncertain, and any discontinuation of contracts currently in backlog would result in a material adverse impact to the Company's financial condition and outlook. Both the health and economic aspects of the COVID-19 pandemic are highly fluid and the future course of each is uncertain. We cannot foresee whether the outbreak of COVID-19 will be effectively contained on a sustained basis, nor can we predict the severity and duration of its impact. If the outbreak of COVID-19 is not effectively and timely controlled, our business operations and financial condition may continue to be materially and adversely affected as a result of the deteriorating market outlook, the global economic recession, weakened liquidity or factors that we cannot foresee. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

2. GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business for the twelve-month period following the date of issuance of these condensed consolidated financial statements.

Our ability to sustain our business in the future will depend on sufficient oil and natural gas operating cash flows, which are highly sensitive to potentially volatile oil and natural gas prices, sufficient contract drilling operating cash flows, which are subject to potentially large changes in demand, and sufficient future land investment segment proceeds and distributions from the Kukio Resort Land Development Partnerships, the timing of which are both highly uncertain and not within Barnwell's control. A sufficient level of such cash inflows are necessary to fund discretionary oil and natural gas capital expenditures, which must be economically successful to provide sufficient returns, as well as fund our non-discretionary outflows such as oil and natural gas asset retirement obligations and ongoing operating and general and administrative expenses.

We have experienced a trend of losses and negative operating cash flows in recent years. Due to the additional impacts of the COVID-19 pandemic, we now face a greater uncertainty about our cash inflows as described above, which in turn leads to substantial doubt regarding our ability to make the required discretionary cash outflows for the capital expenditures necessary to convert our proved undeveloped reserves to proved developed reserves. Furthermore, because of the greater uncertainty about our cash inflows described above, there is substantial doubt about our ability to fund our non-discretionary cash outflows and thus substantial doubt about our ability to continue as a going concern for one year from the date of the filing of this report.

The Company is investigating potential sources of funding, including non-core oil and natural gas property sales, however, no probable sources of such funding have yet been secured. Alternatively, management has the ability to sell its corporate office on the 29th floor of a commercial office building in downtown Honolulu, Hawaii, to generate liquidity without impacting operations significantly, in order to mitigate the substantial doubt about our ability to continue as a going concern. However, the Company's ability to sell its corporate office at an appropriate time or for a sufficient price is outside of the Company's control and is therefore not probable. Because of this uncertainty as well as uncertainties regarding the potential duration and depth of the impacts of the COVID-19 pandemic on our business as described above, substantial doubt about our ability to continue as a going concern for one year from the date of the filing of this report exists. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

3. LOSS PER COMMON SHARE

Basic loss per share is computed using the weighted-average number of common shares outstanding for the period. Diluted loss per share is calculated using the treasury stock method to reflect the assumed issuance of common shares for all potentially dilutive securities, which consist of outstanding stock options. Potentially dilutive shares are excluded from the computation of diluted loss per share if their effect is anti-dilutive.

Options to purchase 60,000 and 318,750 shares of common stock were excluded from the computation of diluted shares for the three and nine months ended June 30, 2020 and 2019, respectively, as their inclusion would have been anti-dilutive.

Reconciliations between net loss attributable to Barnwell stockholders and common shares outstanding of the basic and diluted net loss per share computations are detailed in the following tables:

	Three months ended June 30, 2020		
	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
Basic net loss per share	**$ (3,456,000)**	**8,277,160**	**$ (0.42)**
Effect of dilutive securities -			
common stock options	—	—	
Diluted net loss per share	**$ (3,456,000)**	**8,277,160**	**$ (0.42)**

	Nine months ended June 30, 2020		
	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
Basic net loss per share	**$ (5,384,000)**	**8,277,160**	**$ (0.65)**
Effect of dilutive securities -			
common stock options	—	—	
Diluted net loss per share	**$ (5,384,000)**	**8,277,160**	**$ (0.65)**

	Three months ended June 30, 2019		
	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
Basic net loss per share	$ (1,365,000)	8,277,160	$ (0.16)
Effect of dilutive securities -			
common stock options	—	—	
Diluted net loss per share	$ (1,365,000)	8,277,160	$ (0.16)

	Nine months ended June 30, 2019		
	Net Loss (Numerator)	Shares (Denominator)	Per-Share Amount
Basic net loss per share	$ (8,090,000)	8,277,160	$ (0.98)
Effect of dilutive securities - common stock options	—	—	
Diluted net loss per share	$ (8,090,000)	8,277,160	$ (0.98)

4. INVESTMENTS

A summary of Barnwell's non-current investments is as follows:

	June 30, 2020	September 30, 2019
Investment in Kukio Resort Land Development Partnerships	**$ 751,000**	$ 930,000
Investment in leasehold land interest – Lot 4C	**50,000**	50,000
Total non-current investments	**$ 801,000**	$ 980,000

Investment in Kukio Resort Land Development Partnerships

On November 27, 2013, Barnwell, through a wholly-owned subsidiary, entered into two limited liability limited partnerships, KD Kona 2013 LLLP and KKM Makai, LLLP ("KKM"), and indirectly acquired a 19.6% non-controlling ownership interest in each of KD Kukio Resorts, LLLP, KD Maniniowali, LLLP and KD Kaupulehu, LLLP ("KDK") for $5,140,000. These entities, collectively referred to hereinafter as the "Kukio Resort Land Development Partnerships," own certain real estate and development rights interests in the Kukio, Maniniowali and Kaupulehu portions of Kukio Resort, a private residential community on the Kona coast of the island of Hawaii, as well as Kukio Resort's real estate sales office operations. KDK holds interests in KD Acquisition, LLLP ("KD I") and KD Acquisition II, LP, formerly KD Acquisition II, LLLP ("KD II"). KD I is the developer of Kaupulehu Lot 4A Increment I ("Increment I"), and KD II is the developer of Kaupulehu Lot 4A Increment II ("Increment II"). Barnwell's ownership interests in the Kukio Resort Land Development Partnerships is accounted for using the equity method of accounting. The partnerships derive income from the sale of residential parcels, of which 19 lots remain to be sold at Increment I as of June 30, 2020, as well as from commissions on real estate sales by the real estate sales office.

In March 2019, KD II admitted a new development partner, Replay Kaupulehu Development, LLC ("Replay"), a party unrelated to Barnwell, in an effort to move forward with development of the remainder of Increment II at Kaupulehu. Effective March 7, 2019, KDK and Replay hold ownership interests of 55% and 45%, respectively, of KD II. Accordingly, Barnwell has a 10.8% indirect non-controlling ownership interest in KD II through KDK as of that date that will continue to be accounted for using the equity method of accounting. Barnwell continues to have an indirect 19.6% non-controlling ownership interest in KD Kukio Resorts, LLLP, KD Maniniowali, LLLP, and KD I.

There were no cash distributions from the Kukio Resort Land Development Partnerships for the nine months ended June 30, 2020. During the nine months ended June 30, 2019, Barnwell received net cash distributions in the amount of $314,000 from the Kukio Resort Land Development Partnerships after distributing $38,000 to non-controlling interests.

Barnwell has the right to receive distributions from its non-controlling interest in KKM in proportion to its partner capital sharing ratio of 34.45%. Barnwell is entitled to a 100% preferred return up to $1,000,000 from KKM on any allocated equity in income of the Kukio Resort Land Development Partnerships for cumulative distributions to all of its partners in excess of $45,000,000 from those partnerships. Cumulative distributions from the Kukio Resort Land Development Partnerships have reached the $45,000,000 threshold. However, because we have no control over the distributions from the Kukio Resort Land Development Partnerships and the ability of the Kukio Resort Land Development Partnerships to make such distributions is dependent upon their future sales of lots, we have not recorded any estimated potential preferred return from KKM in our equity in income to date. However, if sufficient distributions are made by the Kukio Resort Land Development Partnerships in the future, Barnwell will have equity in income of affiliates for the recognition of the preferred return. There is no assurance that any future distributions and resulting preferred returns will occur.

Equity in loss of affiliates was $111,000 and $179,000 for the three and nine months ended June 30, 2020, respectively, and $259,000 and $545,000 for the three and nine months ended June 30, 2019, respectively. The equity in the underlying net assets of the Kukio Resort Land Development Partnerships exceeds the carrying value of the investment in affiliates by approximately $291,000 as of June 30, 2020, which is attributable to differences in the value of capitalized development costs and a note receivable. The basis difference will be recognized as the partnerships sell lots and recognize the associated costs and sell memberships for the Kuki`o Golf and Beach Club for which the receivable relates. The basis difference adjustments of $5,000 and $11,000 for the nine months ended June 30, 2020 and 2019, respectively, increased equity in income of affiliates.

Summarized financial information for the Kukio Resort Land Development Partnerships is as follows:

	Three months ended June 30,			
		2020		2019
Revenue	**$**	**496,000**	$	575,000
Gross profit	**$**	**140,000**	$	45,000
Net loss	**$**	**(501,000)**	$	(1,190,000)

	Nine months ended June 30,			
		2020		2019
Revenue	**$**	**3,486,000**	$	2,894,000
Gross profit	**$**	**1,587,000**	$	896,000
Net loss	**$**	**(804,000)**	$	(2,252,000)

Sale of Interest in Leasehold Land

Kaupulehu Developments has the right to receive payments from KD I and KD II resulting from the sale of lots and/or residential units within Increment I and Increment II by KD I and KD II (see Note 16).

With respect to Increment I, Kaupulehu Developments is entitled to receive payments from KD I based on the following percentages of the gross receipts from KD I's sales of single-family residential lots in Increment I: 10% of such aggregate gross proceeds greater than $100,000,000 up to $300,000,000; and 14% of such aggregate gross proceeds in excess of $300,000,000. The total amount of gross proceeds from single-family lots sales was $216,400,000 through June 30, 2020. No single-family lots were sold during the nine months ended June 30, 2020 and 19 single-family lots, of the 80 lots developed within Increment I, remained to be sold as of June 30, 2020.

Under the terms of the former Increment II agreement with KD II, Kaupulehu Developments was entitled to receive payments from KD II resulting from the sale of lots and/or residential units by KD II within Increment II. Through March 6, 2019, the payments were based on a percentage of gross receipts from KD II's sales ranging from 8% to 10% of the price of improved or unimproved lots or 2.60% to 3.25% of the price of units constructed on a lot, to be determined in the future depending upon a number of variables, including whether the lots are sold prior to improvement. Two ocean front parcels approximately two to three acres in size fronting the ocean were developed within Increment II by KD II, of which one was sold in fiscal 2017 and one was sold in fiscal 2016. The remaining acreage within Increment II is not yet under development.

Through March 6, 2019, Kaupulehu Developments was also entitled to receive 50% of distributions otherwise payable from KD II to its members after the members of KD II have received distributions equal to the original basis of capital invested in the project, up to $8,000,000. Through March 6, 2019, a cumulative total of $3,500,000 was received from KD II under this arrangement, out of the $8,000,000 maximum. The former arrangement also included the rights to three single-family residential lots in Phase 2 of Increment II when developed, at no cost to Barnwell, with a commitment by Barnwell to begin to construct a residence upon each lot within six months of transfer.

Concurrent with the transaction whereby KD II admitted Replay as a new development partner, Kaupulehu Developments entered into new agreements with KD II whereby the aforementioned terms of the former Increment II arrangement were eliminated and Kaupulehu Developments will instead be entitled to 15% of the distributions of KD II, the cost of which is to be solely borne by KDK out of its 55% ownership interest in KD II, plus a priority payout of 10% of KDK’s cumulative net profits derived from Increment II sales subsequent to Phase 2A, up to a maximum of $3,000,000 as to the priority payout. Such interests are limited to distributions or net profits interests and Barnwell will not have any partnership interests in KD II or KDK through its interest in Kaupulehu Developments. The new arrangement also gives Barnwell rights to three single-family residential lots in Phase 2A of Increment II, and four single-family residential lots in phases subsequent to Phase 2A when such lots are developed by KD II, all at no cost to Barnwell. Barnwell is committed to commence construction of improvements within 90 days of the transfer of the four lots in the phases subsequent to Phase 2A as a condition of the transfer of such lots. Also, in addition to Barnwell’s existing obligations to pay professional fees to certain parties based on percentages of its gross receipts, Kaupulehu Developments is now also obligated to pay an amount equal to 0.72% and 0.2% of the cumulative net profits of KD II to KD Development, LLC and a pool of various individuals, respectively, all of whom are partners of KKM and are unrelated to Barnwell, in compensation for the agreement of these parties to admit the new development partner for Increment II. Such compensation will be reflected as the obligation becomes probable and the amount of the obligation can be reasonably estimated. The new agreements also specify that Kaupulehu Developments was to be paid $1,000,000 by KD II prior to admission of Replay as a partner. This $1,000,000 payment had already been received in June 2018 and is included in the $3,500,000 cumulative total as of March 6, 2019 discussed above.

The Increment I percentage of sales arrangement between Barnwell and KD I remains unchanged.

The following table summarizes the Increment I and Increment II revenues from KD I and KD II and the amount of fees directly related to such revenues:

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	**2020**	2019
Sale of interest in leasehold land:				
Revenues - sale of interest in leasehold land	**$ —**	$ —	**$ —**	$ 165,000
Fees - included in general and administrative expenses	**—**	—	**—**	(20,000)
Sale of interest in leasehold land, net of fees paid	**$ —**	$ —	**$ —**	$ 145,000

Investment in Leasehold Land Interest - Lot 4C

Kaupulehu Developments holds an interest in an area of approximately 1,000 acres of vacant leasehold land zoned conservation located adjacent to Lot 4A, which currently has no development potential without both a development agreement with the lessor and zoning reclassification. The lease terminates in December 2025.

5. OIL AND NATURAL GAS PROPERTIES

Dispositions

In October 2019, Barnwell entered into a purchase and sale agreement with an independent third party and sold its interests in properties located in the Progress area of Alberta, Canada. The sales price per the agreement was adjusted for customary purchase price adjustments to $594,000 in order to, among other things, reflect an economic effective date of October 1, 2019. The final determination of the customary adjustments to the purchase price has not yet been made however it is not expected to result in a material adjustment. The proceeds were credited to the full cost pool, with no gain or loss recognized, as the sale did not result in a significant alteration of the relationship between capitalized costs and proved reserves.

There were no oil and natural gas property dispositions during the nine months ended June 30, 2019. The $1,519,000 of proceeds from sale of oil and natural gas properties included in the Condensed Consolidated Statement of Cash Flows for the nine months ended June 30, 2019 primarily represents the refund of income taxes previously withheld from what otherwise would have been proceeds on the previous years' oil and natural gas property sales.

Acquisitions

There were no significant amounts paid for oil and natural gas property acquisitions during the nine months ended June 30, 2020.

In the quarter ended December 31, 2018, Barnwell acquired additional working interests in oil and natural gas properties located in the Wood River and Twining areas of Alberta, Canada for cash consideration of $355,000. The purchase prices per the agreements were adjusted for customary purchase price adjustments to reflect the economic activity from the effective date to the closing date. The customary adjustments to the purchase prices were finalized during the quarter ended June 30, 2019 and resulted in an immaterial adjustment. There were no other oil and natural gas property acquisitions during the nine months ended June 30, 2019.

Impairment of Oil and Natural Gas Properties

Under the full cost method of accounting, the Company performs quarterly oil and natural gas ceiling test calculations. There was a ceiling test impairment of $2,689,000 and $4,326,000 during the three and nine months ended June 30, 2020, respectively. There was no ceiling test impairment during the three months ended June 30, 2019 and there was a ceiling test impairment of $2,413,000 during the nine months ended June 30, 2019.

Changes in the mandated 12-month historical rolling average first-day-of-the-month prices for oil, natural gas and natural gas liquids prices, the value of reserve additions as compared to the amount of capital expenditures to obtain them, and changes in production rates and estimated levels of reserves, future development costs and the estimated market value of unproved properties, impact the determination of the maximum carrying value of oil and natural gas properties. Prior to the quarter ended March 31, 2020, the ceiling test calculation included management's estimation that the Company had the ability to fund the approximately $12,000,000 of future capital expenditures necessary over the next five years to develop proved undeveloped reserves in the Twining area of Alberta, Canada. However, due to the impact on oil prices and the extreme uncertainties created by the COVID-19 pandemic on the Company's financial outlook, management is no longer reasonably certain that the Company will have the financial resources necessary to make any of the approximately $12,000,000 of capital expenditures necessary to develop the proved undeveloped reserves. Therefore, the proved undeveloped reserves continue to be excluded from the quarterly ceiling test calculations subsequent to December 31, 2019.

As discussed above, the ceiling test mandates the use of the 12-month historical rolling average first-day-of-the-month prices. If oil prices remain at current levels or decline further, it is more likely than not that the Company will incur further impairment write-downs in future periods in the absence of any offsetting factors that are not currently known or projected.

6. <u>RETIREMENT PLANS</u>

Barnwell sponsors a noncontributory defined benefit pension plan ("Pension Plan") covering substantially all of its U.S. employees. Additionally, Barnwell sponsors a Supplemental Employee Retirement Plan ("SERP"), a noncontributory supplemental retirement benefit plan which covers certain current and former employees of Barnwell for amounts exceeding the limits allowed under the Pension Plan, and a postretirement medical insurance benefits plan ("Postretirement Medical") covering eligible U.S. employees.

The following tables detail the components of net periodic benefit (income) cost for Barnwell's retirement plans:

	Pension Plan		SERP		Postretirement Medical	
	Three months ended June 30,					
	2020	2019	**2020**	2019	**2020**	2019
Service cost	**$ —**	$ 41,000	**$ —**	$ 6,000	**$ —**	$ —
Interest cost	**73,000**	92,000	**16,000**	16,000	**20,000**	25,000
Expected return on plan assets	**(173,000)**	(165,000)	**—**	—	**—**	—
Amortization of prior service cost (credit)	**—**	2,000	**—**	(2,000)	**—**	—
Amortization of net actuarial loss	**—**	(3,000)	**—**	(1,000)	**20,000**	13,000
Net periodic benefit (income) cost	**$ (100,000)**	$ (33,000)	**$ 16,000**	$ 19,000	**$ 40,000**	$ 38,000

	Pension Plan		SERP		Postretirement Medical	
	Nine months ended June 30,					
	2020	2019	**2020**	2019	**2020**	2019
Service cost	**$ 50,000**	$ 141,000	**$ 3,000**	$ 24,000	**$ —**	$ —
Interest cost	**228,000**	279,000	**49,000**	58,000	**60,000**	75,000
Expected return on plan assets	**(508,000)**	(486,000)	**—**	—	**—**	—
Amortization of prior service cost (credit)	**1,000**	5,000	**(1,000)**	(4,000)	**—**	—
Amortization of net actuarial loss	**35,000**	1,000	**5,000**	1,000	**60,000**	39,000
Curtailment cost (income)	**53,000**	—	**(53,000)**	—	**—**	—
Net periodic benefit (income) cost	**$ (141,000)**	$ (60,000)	**$ 3,000**	$ 79,000	**$ 120,000**	$ 114,000

The net periodic benefit (income) cost, including service cost, is included in "General and administrative" expenses in the Company's Condensed Consolidated Statements of Operations.

On December 12, 2019, the Company's Board of Directors approved a resolution to freeze all future benefit accruals for all participants under the Company's Pension Plan and SERP effective December 31, 2019. Accordingly, the Company remeasured the projected benefit obligation of the Pension Plan and SERP as of December 31, 2019. As a result of the remeasurement, the Company recorded an $880,000 actuarial gain in accumulated other comprehensive loss during the quarter ended December 31, 2019. The actuarial gain was primarily due to an increase in the market value of Pension Plan assets as well as an increase in the discount rate for both plans during the period. The impact of the Pension Plan and SERP plan freeze resulted in a $1,699,000 reduction in unrecognized pension benefit costs that were previously included in accumulated other comprehensive loss, with a corresponding benefit in other comprehensive income which was recorded in the first quarter ended December 31, 2019. No remeasurement was required in the quarters ended March 31, 2020 and June 30, 2020.

Currently, no contributions are expected to be made to the Pension Plan during fiscal 2020. The SERP and Postretirement Medical plans are unfunded, and Barnwell funds benefits when payments are made. Expected payments under the Postretirement Medical plan and the SERP for fiscal 2020 are not material. Fluctuations in actual equity market returns as well as changes in general interest rates will result in changes in the market value of plan assets and may result in increased or decreased retirement benefits costs and contributions in future periods.

7. INCOME TAXES

The components of loss before income taxes, after adjusting the loss for non-controlling interests, are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	**2020**	2019
United States	**$ 163,000**	$ (637,000)	**$ 717,000**	$ (3,059,000)
Canada	**(3,643,000)**	(819,000)	**(6,127,000)**	(5,262,000)
	$ (3,480,000)	$ (1,456,000)	**$ (5,410,000)**	$ (8,321,000)

The components of the income tax benefit are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	**2020**	2019
Current	**$ (26,000)**	$ (63,000)	**$ (19,000)**	$ (97,000)
Deferred	**2,000**	(28,000)	**(7,000)**	(134,000)
	$ (24,000)	$ (91,000)	**$ (26,000)**	$ (231,000)

Consolidated taxes do not bear a customary relationship to pretax results due primarily to the fact that the Company is taxed separately in Canada based on Canadian source operations and in the U.S. based on consolidated operations, and essentially all deferred tax assets, net of relevant offsetting deferred tax liabilities, are not estimated to have a future benefit as tax credits or deductions. Income from our non-controlling interest in the Kukio Resort Land Development Partnerships is treated as non-unitary for state of Hawaii unitary filing purposes, thus unitary Hawaii losses provide limited sheltering of such non-unitary income.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law to provide economic relief to businesses that were negatively impacted by the COVID-19 pandemic. Key tax provisions of the CARES Act currently impacting the Company include the modification of rules related to alternative minimum tax ("AMT") credits and net operating losses ("NOL"). Other provisions of the CARES Act are currently inapplicable to the Company and/or do not impact the Company's U.S. federal current and deferred income taxes.

Under previous legislation, 50% of the total AMT credit carryover was refundable upon the filing of the Company's U.S. federal income tax return for the year ended September 30, 2019 and was reclassified to current taxes receivable as of September 30, 2019. The CARES Act provides for an election, which the Company has made, to take the entire refundable credit in the Company's U.S. federal income tax return for the year ended September 30, 2019. As such, the Company reclassified the remaining 50% from non-current income taxes receivable to current income taxes receivable as of March 31, 2020 as a result of the CARES Act.

Under previous legislation, the utilization of NOLs generated in tax years beginning after December 31, 2017, which was the Company's fiscal year ended September 30, 2019, was restricted to 80% of taxable income. The CARES Act suspended this restriction through the 2020 tax year (the Company’s fiscal year ending September 30, 2021). This limitation will be reinstated effective for tax years beginning on or after January 1, 2021.

In the three months ended June 30, 2020, the Government of Alberta announced a reduction of its corporate income tax rate from 10% to 8% effective July 1, 2020. However, this tax rate reduction had not been enacted as of June 30, 2020, and therefore, is not included in the Company's tax provision for the current period. Additionally, because our Canadian operations are currently generating losses and net Canadian deferred tax assets have a full valuation allowance, the reduction in the tax rate is not expected to have an impact on results of operations.

8. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following tables provide information about disaggregated revenue by revenue streams, reportable segments, geographical region, and timing of revenue recognition for the three and nine months ended June 30, 2020 and 2019.

	Three months ended June 30, 2020				
	Oil and natural gas	**Contract drilling**	**Land investment**	**Other**	**Total**
Revenue streams:					
Oil	$ 624,000	$ —	$ —	$ —	$ 624,000
Natural gas	192,000	—	—	—	192,000
Natural gas liquids	14,000	—	—	—	14,000
Drilling and pump	—	3,040,000	—	—	3,040,000
Other	—	—	—	113,000	113,000
Total revenues before interest income	$ 830,000	$ 3,040,000	$ —	$ 113,000	$ 3,983,000
Geographical regions:					
United States	$ —	$ 3,040,000	$ —	$ —	$ 3,040,000
Canada	830,000	—	—	113,000	943,000
Total revenues before interest income	$ 830,000	$ 3,040,000	$ —	$ 113,000	$ 3,983,000
Timing of revenue recognition:					
Goods transferred at a point in time	$ 830,000	$ —	$ —	$ 113,000	$ 943,000
Services transferred over time	—	3,040,000	—	—	3,040,000
Total revenues before interest income	$ 830,000	$ 3,040,000	$ —	$ 113,000	$ 3,983,000

	Three months ended June 30, 2019				
	Oil and natural gas	Contract drilling	Land investment	Other	Total
Revenue streams:					
Oil	$ 1,419,000	$ —	$ —	$ —	$ 1,419,000
Natural gas	152,000	—	—	—	152,000
Natural gas liquids	117,000	—	—	—	117,000
Drilling and pump	—	1,689,000	—	—	1,689,000
Other	—	—	—	15,000	15,000
Total revenues before interest income	$ 1,688,000	$ 1,689,000	$ —	$ 15,000	$ 3,392,000
Geographical regions:					
United States	$ —	$ 1,689,000	$ —	$ —	$ 1,689,000
Canada	1,688,000	—	—	15,000	1,703,000
Total revenues before interest income	$ 1,688,000	$ 1,689,000	$ —	$ 15,000	$ 3,392,000
Timing of revenue recognition:					
Goods transferred at a point in time	$ 1,688,000	$ —	$ —	$ 15,000	$ 1,703,000
Services transferred over time	—	1,689,000	—	—	1,689,000
Total revenues before interest income	$ 1,688,000	$ 1,689,000	$ —	$ 15,000	$ 3,392,000

	Nine months ended June 30, 2020				
	Oil and natural gas	**Contract drilling**	**Land investment**	**Other**	**Total**
Revenue streams:					
Oil	**$ 3,827,000**	**$ —**	**$ —**	**$ —**	**$ 3,827,000**
Natural gas	**821,000**	**—**	**—**	**—**	**821,000**
Natural gas liquids	**233,000**	**—**	**—**	**—**	**233,000**
Drilling and pump	**—**	**8,279,000**	**—**	**—**	**8,279,000**
Other	**—**	**—**	**—**	**239,000**	**239,000**
Total revenues before interest income	**$ 4,881,000**	**$ 8,279,000**	**$ —**	**$ 239,000**	**$13,399,000**
Geographical regions:					
United States	**$ —**	**$ 8,279,000**	**$ —**	**$ 7,000**	**$ 8,286,000**
Canada	**4,881,000**	**—**	**—**	**232,000**	**5,113,000**
Total revenues before interest income	**$ 4,881,000**	**$ 8,279,000**	**$ —**	**$ 239,000**	**$13,399,000**
Timing of revenue recognition:					
Goods transferred at a point in time	**$ 4,881,000**	**$ —**	**$ —**	**$ 239,000**	**$ 5,120,000**
Services transferred over time	**—**	**8,279,000**	**—**	**—**	**8,279,000**
Total revenues before interest income	**$ 4,881,000**	**$ 8,279,000**	**$ —**	**$ 239,000**	**$13,399,000**

	Nine months ended June 30, 2019				
	Oil and natural gas	Contract drilling	Land investment	Other	Total
Revenue streams:					
Oil	$ 3,792,000	$ —	$ —	$ —	$ 3,792,000
Natural gas	650,000	—	—	—	650,000
Natural gas liquids	402,000	—	—	—	402,000
Drilling and pump	—	3,839,000	—	—	3,839,000
Contingent residual payments	—	—	165,000	—	165,000
Other	—	—	—	69,000	69,000
Total revenues before interest income	$ 4,844,000	$ 3,839,000	$ 165,000	$ 69,000	$ 8,917,000
Geographical regions:					
United States	$ —	$ 3,839,000	$ 165,000	$ 1,000	$ 4,005,000
Canada	4,844,000	—	—	68,000	4,912,000
Total revenues before interest income	$ 4,844,000	$ 3,839,000	$ 165,000	$ 69,000	$ 8,917,000
Timing of revenue recognition:					
Goods transferred at a point in time	$ 4,844,000	$ —	$ 165,000	$ 69,000	$ 5,078,000
Services transferred over time	—	3,839,000	—	—	3,839,000
Total revenues before interest income	$ 4,844,000	$ 3,839,000	$ 165,000	$ 69,000	$ 8,917,000

Contract Balances

The following table provides information about accounts receivables, contract assets and contract liabilities from contracts with customers:

	June 30, 2020	September 30, 2019
Accounts receivables from contracts with customers	**$ 2,017,000**	$ 1,322,000
Contract assets	**324,000**	344,000
Contract liabilities	**1,638,000**	1,633,000

Accounts receivables from contracts with customers are included in "Accounts and other receivables, net of allowance for doubtful accounts," and contract assets, which includes costs and estimated earnings in excess of billings and retainage, are included in "Other current assets." Contract liabilities, which includes billings in excess of costs and estimated earnings are included in "Other current liabilities" in the accompanying Condensed Consolidated Balance Sheets.

Retainage, included in contract assets, represents amounts due from customers, but where payments are withheld contractually until certain construction milestones are met. Amounts retained typically range from 5% to 10% of the total invoice, up to contractually-specified maximums. The Company classifies as a current asset those retainages that are expected to be collected in the next twelve months.

Contract assets represent the Company's rights to consideration in exchange for services transferred to a customer that have not been billed as of the reporting date. The Company's rights are generally unconditional at the time its performance obligations are satisfied.

When the Company receives consideration, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a sales contract, the Company records deferred revenue, which represents a contract liability. Such deferred revenue typically results from billings in excess of costs and estimated earnings on uncompleted contracts. As of June 30, 2020 and September 30, 2019, the Company had $1,638,000 and $1,633,000, respectively, included in "Other current liabilities" on the balance sheets for those performance obligations expected to be completed in the next twelve months.

During the nine months ended June 30, 2020 and 2019, the amount of revenue recognized that was previously included in contract liabilities as of the beginning of the respective period was $707,000 and $25,000, respectively.

Contracts are sometimes modified for a change in scope or other requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the Company's contract modifications are for goods and services that are not distinct from the existing performance obligations. The effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase or decrease) on a cumulative catchup basis.

Performance Obligations

The Company's remaining performance obligations for drilling and pump installation contracts (hereafter referred to as "backlog") represent the unrecognized revenue value of the Company's contract commitments. The Company's backlog may vary significantly each reporting period based on the timing of major new contract commitments. In addition, our customers have the right, under some infrequent circumstances, to terminate contracts or defer the timing of the Company's services and their payments to us. Nearly all of the Company's contract drilling segment contracts have original expected durations of one year or less. At June 30, 2020, the Company had three contract drilling jobs with original expected durations of greater than one year. For these contracts, approximately 21% of the remaining performance obligation of $2,427,000 is expected to be recognized in the next twelve months and the remaining, thereafter.

Contract Fulfillment Costs

Preconstruction costs, which include costs such as set-up and mobilization, are capitalized and allocated across all performance obligations and deferred and amortized over the contract term on a progress towards completion basis. As of June 30, 2020 and September 30, 2019, the Company had $216,000 and $296,000, respectively, in unamortized preconstruction costs related to contracts that were not completed. During the three and nine months ended June 30, 2020, the amortization of preconstruction costs related to contracts were not material and were included in the accompanying Condensed Consolidated Statements of Operations. During the three and nine months ended June 30, 2019, the amortization of preconstruction costs related to contracts was $80,000 and $129,000, respectively. Additionally, no impairment charges in connection with the Company's preconstruction costs were recorded during the three and nine months ended June 30, 2020 and 2019.

Water Well Re-drill

In the quarter ended December 31, 2019, the Company experienced the failure of a hole opener which broke apart leaving pieces in the bottom of a water well being drilled in Hawaii. Efforts to remove the items from the well were unsuccessful through the quarter ended March 31, 2020 and subsequently, the Company determined that the well should be abandoned and a new well drilled at no incremental cost to the customer as per the terms of the contract. Accordingly, all the costs to drill and abandon the first well, which are all wasted costs, were excluded from the measurement of progress toward contract completion and all such costs were fully accrued in the quarter ended March 31, 2020, as this contract was determined to be a loss job. As a result, $733,000 of revenue previously recognized was reversed in the nine months ended June 30, 2020 and the Company recognized a decrease of approximately $670,000 in the estimated margin of this contract in the nine months ended June 30, 2020.

9. SEGMENT INFORMATION

Barnwell operates the following segments: 1) acquiring, developing, producing and selling oil and natural gas in Canada (oil and natural gas); 2) investing in land interests in Hawaii (land investment); and 3) drilling wells and installing and repairing water pumping systems in Hawaii (contract drilling).

The following table presents 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,	
	2020	2019	**2020**	2019
Revenues:				
Oil and natural gas	**$ 830,000**	$ 1,688,000	**$ 4,881,000**	$ 4,844,000
Contract drilling	**3,040,000**	1,689,000	**8,279,000**	3,839,000
Land investment	**—**	—	**—**	165,000
Other	**113,000**	15,000	**239,000**	69,000
Total before interest income	**3,983,000**	3,392,000	**13,399,000**	8,917,000
Interest income	**1,000**	17,000	**17,000**	50,000
Total revenues	**$ 3,984,000**	$ 3,409,000	**$ 13,416,000**	$ 8,967,000
Depletion, depreciation, and amortization:				
Oil and natural gas	**$ 372,000**	$ 639,000	**$ 1,562,000**	$ 2,072,000
Contract drilling	**96,000**	78,000	**272,000**	195,000
Other	**10,000**	14,000	**36,000**	41,000
Total depletion, depreciation, and amortization	**$ 478,000**	$ 731,000	**$ 1,870,000**	$ 2,308,000
Impairment:				
Oil and natural gas	**$ 2,689,000**	$ —	**$ 4,326,000**	$ 2,413,000
Total impairment	**$ 2,689,000**	$ —	**$ 4,326,000**	$ 2,413,000
Operating (loss) profit (before general and administrative expenses):				
Oil and natural gas	**$ (3,212,000)**	$ (265,000)	**$ (4,486,000)**	$ (3,541,000)
Contract drilling	**977,000**	369,000	**2,455,000**	(145,000)
Land investment	**—**	—	**—**	165,000
Other	**103,000**	1,000	**203,000**	28,000
Gain on sale of asset	**—**	—	**1,336,000**	—
Total operating (loss) profit	**(2,132,000)**	105,000	**(492,000)**	(3,493,000)
Equity in loss of affiliates:				
Land investment	**(111,000)**	(259,000)	**(179,000)**	(545,000)
General and administrative expenses	**(1,248,000)**	(1,352,000)	**(4,775,000)**	(4,361,000)
Interest expense	**(1,000)**	—	**(1,000)**	(4,000)
Interest income	**1,000**	17,000	**17,000**	50,000
Loss before income taxes	**$ (3,491,000)**	$ (1,489,000)	**$ (5,430,000)**	$ (8,353,000)

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in each component of accumulated other comprehensive loss were as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	**2020**	2019
Foreign currency translation:				
Beginning accumulated foreign currency translation	**$ 780,000**	$ 642,000	**$ 691,000**	$ 925,000
Change in cumulative translation adjustment before reclassifications	**(125,000)**	89,000	**(36,000)**	(194,000)
Income taxes	**—**	—	**—**	—
Net current period other comprehensive (loss) income	**(125,000)**	89,000	**(36,000)**	(194,000)
Ending accumulated foreign currency translation	**655,000**	731,000	**655,000**	731,000
Retirement plans:				
Beginning accumulated retirement plans benefit cost	**(949,000)**	(1,406,000)	**(3,608,000)**	(1,439,000)
Amortization of net actuarial loss and prior service cost	**20,000**	9,000	**100,000**	42,000
Net actuarial gains arising during the period	**—**	—	**2,579,000**	—
Income taxes	**—**	—	**—**	—
Net current period other comprehensive income	**20,000**	9,000	**2,679,000**	42,000
Ending accumulated retirement plans benefit cost	**(929,000)**	(1,397,000)	**(929,000)**	(1,397,000)
Accumulated other comprehensive loss, net of taxes	**$ (274,000)**	$ (666,000)	**$ (274,000)**	$ (666,000)

The amortization of accumulated other comprehensive loss components for the retirement plans are included in the computation of net periodic benefit (income) cost which is a component of "General and administrative" expenses on the accompanying Condensed Consolidated Statements of Operations (see Note 6 for additional details).

11. FAIR VALUE MEASUREMENTS

The carrying values of cash and cash equivalents, accounts and other receivables, accounts payable and accrued current liabilities approximate their fair values due to the short-term nature of the instruments.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The estimated fair values of oil and natural gas properties and the asset retirement obligation incurred in the drilling of oil and natural gas wells or assumed in the acquisitions of additional oil and natural gas working interests are based on an estimated discounted cash flow model and market assumptions. The significant Level 3 assumptions used in the calculation of estimated discounted cash flows included future commodity prices, projections of estimated quantities of oil and natural gas reserves, expectations for timing and amount of future development, operating and asset retirement costs, projections of future rates of production, expected recovery rates and risk adjusted discount rates.

Barnwell estimates the fair value of asset retirement obligations based on the projected discounted future cash outflows required to settle abandonment and restoration liabilities. Such an estimate requires assumptions and judgments regarding the existence of liabilities, the amount and timing of cash outflows required to settle the liability, what constitutes adequate restoration, inflation factors, credit adjusted discount rates, and consideration of changes in legal, regulatory, environmental and political environments. Abandonment and restoration cost estimates are determined in conjunction with Barnwell's reserve engineers based on historical information regarding costs incurred to abandon and restore similar well sites, information regarding current market conditions and costs, and knowledge of subject well sites and properties. Asset retirement obligation fair value measurements in the current period were Level 3 fair value measurements.

12. DEBT

On April 28, 2020, the Company, as obligor, entered into a promissory note evidencing an unsecured loan in the approximate amount of $147,000 under the Paycheck Protection Program ("PPP") pursuant to the CARES Act that was signed into law in March 2020. The note matures two years after the date of the loan disbursement and bears interest at a fixed annual rate of 1.00%, with the first six months of principal and interest deferred. Under the terms of the CARES Act and the PPP, the Company can apply for and be granted forgiveness for all or a portion of the loan issued under the PPP and the loan is expected to be forgiven to the extent the proceeds are used in accordance with the PPP to cover payroll, mortgage interest, rent, and utility costs incurred by the Company over the 24-week period following the loan disbursement date. At this time, the Company believes that its use of the loan proceeds will meet the conditions for forgiveness under the PPP and expects the loan to be recorded as income when legal forgiveness is obtained.

As of June 30, 2020, the current and long-term portions of the loan were $64,000 and $83,000, respectively, and the current portion is included in "Other current liabilities" in the Company's Condensed Consolidated Balance Sheet.

13. LEASES AND GAIN ON SALE OF ASSET

On October 1, 2019, the Company adopted ASU No. 2016-02, "Leases (Topic 842)," using the modified retrospective transition approach and applied the new standard to leases in place as of the adoption date. Results for reporting periods prior to October 1, 2019 have not been adjusted. The Company elected the package of practical expedients allowed upon adoption of Accounting Standards Codification ("ASC") 842 which, among other things, allowed us to (1) not reassess whether any expired or existing contracts contain leases, (2) carry forward the historical lease classification, and (3) not have to reassess any initial direct cost of any expired or existing leases.

As a result of the adoption of ASC 842, the Company recorded operating lease right-of-use ("ROU") assets of $2,589,000 and corresponding total operating lease liabilities of $2,589,000 in the Condensed Consolidated Balance Sheets as of October 1, 2019. There was no impact to retained earnings or the Condensed Consolidated Statements of Operations.

In March 2020, the Company sold its leasehold interest in a three-quarter of an acre contract drilling segment maintenance and storage yard in Honolulu, Hawaii to an unrelated third party for a $1,100,000 cash payment. As a result of the sale transaction, the Company recognized a gain of $1,336,000, inclusive of a $236,000 gain from the reversal of the storage yard's lease liability in excess of the right-of-use asset, in the quarter ended March 31, 2020.

The Company's remaining ROU assets and lease liabilities at June 30, 2020, primarily relate to non-cancelable operating leases for our Canadian office space and our leasehold land interest for Lot 4C held by Kaupulehu Developments. Management determines if a contract is or contains a lease at inception of the contract or modification of the contract. A contract is or contains a lease if the contract conveys the right to control the use of the asset for a period in exchange for consideration.

Operating lease ROU assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement date. The Company's leases do not provide a readily determinable implicit rate; therefore, management uses the Company's incremental borrowing rate to discount lease payments based on information available at lease commencement. Our lease terms may include options to extend or terminate the lease when it is reasonably certain we will exercise that potion. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease terms.

The Company has lease agreements with lease and non-lease components and the non-lease components are excluded in the calculation of the ROU asset and lease liability and expensed as incurred. None of the Company's lease agreements contain material residual value guarantees or material restrictions or covenants.

A ROU asset and corresponding lease liability is not recorded for leases with an initial term of 12 months or less (short-term leases) as the Company recognizes lease expense for these leases as incurred over the lease term.

Leases recorded on the balance sheet consist of the following:

		June 30, 2020
Assets:		
Operating lease right-of-use assets	$	272,000
Total right-of-use assets	$	272,000
Liabilities:		
Current portion of operating lease liabilities	$	107,000
Operating lease liabilities		171,000
Total lease liabilities	$	278,000

The components of lease expenses are as follows:

		Three months ended June 30, 2020		Nine months ended June 30, 2020
Operating lease cost	$	68,000	$	271,000
Short-term lease cost		17,000		52,000
Total lease cost	$	85,000	$	323,000

Supplemental information related to leases is as follows:

		June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$	158,000
Operating leases:		
Weighted-average remaining lease term (in years)		3.6
Weighted-average discount rate		5.84%

The remaining lease payments for our operating leases as of June 30, 2020, are as follows:

Fiscal year ending:		
Remainder of 2020	$	**30,000**
2021		**121,000**
2022		**60,000**
2023		**30,000**
2024		**30,000**
Thereafter through 2026		**38,000**
Total lease payments		**309,000**
Less: amounts representing interest		**(31,000)**
Present value of lease liabilities	**$**	**278,000**

14. CONTINGENCIES

Legal and Regulatory Matters

Barnwell is routinely involved in disputes with third parties that occasionally require litigation. In addition, Barnwell is required to maintain compliance with all current governmental controls and regulations in the ordinary course of business. Barnwell's management is not aware of any claims or litigation involving Barnwell that are likely to have a material adverse effect on its results of operations, financial position or liquidity.

In the year ended September 30, 2019, two of the water wells drilled by the contract drilling segment for one customer were determined to not meet the contract specifications for plumbness. Subsequently, in the quarter ended March 31, 2020, the Company executed a separate five-year warranty agreement with the customer for one of the wells that did not meet plumbness. Under the terms of the agreement, if the lack of plumbness is determined to be the cause of a pump failure within the warranty period, the Company would be obligated to replace the pump at no cost to the customer. If the Company is unable to replace the pump using industry-standard methods, or if there are two or more pump failures attributable to lack of plumbness within the five-year warranty period, the Company would be obligated to drill a new well at no cost to the customer. Negotiations with the customer are currently ongoing for the other well that the customer claims did not meet plumbness despite the fact that the independent consulting engineer for the job concluded that the most recent plumbness test, completed after the well was cased with casing cemented into place as per the contract, showed that the well meets the plumbness specifications of the contract. Management believes the degrees of deviation for both wells are not impactful to the performance of the submersible pumps that will be installed in those wells. Accordingly, no accruals have been recorded as of June 30, 2020 as there is no probable or estimable contingent liability.

On July 28, 2020, the Staff of the State of Hawaii's Commission on Water Resource Management ("Commission") circulated a draft of a proposed recommendation to the Commission under which the Company, the water utility, the water utility's independent hydrologist firm and the owner of the land on which the two aforementioned water wells were drilled would be assessed penalty fines because each of the wells was drilled beyond the depth permitted by the permit. The wells were drilled beyond permitted depth to penetrate certain layers of impermeable rock necessary to access the aquifer at the instructions and on the advice of the hydrologist. The Company's share of the proposed penalties and fines calculates to approximately $1,200,000. The Commission also provided a proposed alternative settlement in lieu of the penalties and fines whereby the named parties would be responsible for the drilling of two monitor wells in locations and with specifications that are subject to approval of the Commission, at no cost to the Commission, to aid in the Commission’s efforts to monitor water quality in the subject area. The Company and the other three parties are currently evaluating potential sites for monitoring wells that it believes would likely satisfy the Commission's request under the proposed alternative settlement but it is currently uncertain as to whether or not the Commission would accept the site locations and specifications of the monitor wells currently being considered. Additionally, it is uncertain as to how the cost of the two monitoring wells under the alternative settlement would be allocated to the named parties of the subject violations. Accordingly, the Company recorded a contingent liability of approximately $250,000 at June 30, 2020.

15. INFORMATION RELATING TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended June 30,	
	2020	2019
Supplemental disclosure of cash flow information:		
Cash paid (received) during the year for:		
Income taxes refunded, net	**$ (166,000)**	$ (2,298,000)

Capital expenditure accruals related to oil and natural gas exploration and development increased $635,000 during the nine months ended June 30, 2020 and decreased $93,000 during the nine months ended June 30, 2019. Additionally, capital expenditure accruals related to oil and natural gas asset retirement obligations increased $545,000 and $95,000 during the nine months ended June 30, 2020 and 2019, respectively.

16. RELATED PARTY TRANSACTIONS

Kaupulehu Developments is entitled to receive payments from the sales of lots and/or residential units by KD I and KD II. Through March 6, 2019, Kaupulehu Developments was also entitled to receive 50% of distributions otherwise payable from KD II to its members up to $8,000,000, of which $3,500,000 was received. KD I and KD II are part of the Kukio Resort Land Development Partnerships in which Barnwell holds indirect 19.6% and 10.8% non-controlling ownership interests, respectively, accounted for under the equity method of investment. The percentage of sales payments and percentage of distribution payments are part of transactions which took place in 2004 and 2006 where Kaupulehu Developments sold its leasehold interests in Increment I and Increment II to KD I's and KD II's predecessors in interest, respectively, which was prior to Barnwell’s affiliation with KD I and KD II which commenced on November 27, 2013, the acquisition date of our ownership interest in the Kukio Resort Land Development Partnerships. Changes to the arrangement above, effective March 7, 2019, are discussed in Note 4.

There were no payments made to Kaupulehu Developments by KD I or KD II during the nine months ended June 30, 2020. During the nine months ended June 30, 2019, Barnwell received $165,000 in percentage of sales payments from KD I from the sale of one lot within Phase II of Increment I.

17. SUBSEQUENT EVENTS

In early August 2020, Kaupulehu Developments received two percentage of sales payments totaling $325,000 from the sale of two lots within Phase II of Increment I. Financial results from the receipt of these payments will be reflected in Barnwell’s quarter and year ending September 30, 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Relevant to Forward-Looking Information For the Purpose Of "Safe Harbor" Provisions Of The Private Securities Litigation Reform Act of 1995

This Form 10-Q, and the documents incorporated herein by reference, contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). A forward-looking statement is one which is based on current expectations of future events or conditions and does not relate to historical or current facts. These statements include various estimates, forecasts, projections of Barnwell's future performance, statements of Barnwell's plans and objectives, and other similar statements. All such statements we make are forward-looking statements made under the safe harbor of the PSLRA, except to the extent such statements relate to the operations of a partnership or limited liability company. Forward-looking statements include phrases such as "expects," "anticipates," "intends," "plans," "believes," "predicts," "estimates," "assumes," "projects," "may," "will," "will be," "should," or similar expressions. Although Barnwell believes that its current expectations are based on reasonable assumptions, it cannot assure that the expectations contained in such forward-looking statements will be achieved. Forward-looking statements involve risks, uncertainties and assumptions which could cause actual results to differ materially from those contained in such statements. The risks, uncertainties and other factors that might cause actual results to differ materially from Barnwell's expectations are set forth in the "Forward-Looking Statements" and "Risk Factors" sections of Barnwell's Annual Report on Form 10-K for the year ended September 30, 2019, "Risk Factors" section of Barnwell's Quarterly Report on Form 10-Q for the periods ended December 31, 2019 and March 31, 2020, "Other Events" section of Barnwell's Current Report on Form 8-K dated May 14, 2020, and "Risk Factors" section of this Quarterly Report filed on Form 10-Q. Investors should not place undue reliance on these forward-looking statements, as they speak only as of the date of filing of this Form 10-Q, and Barnwell expressly disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein.

Critical Accounting Policies and Estimates

Management has determined that our most critical accounting policies and estimates are those related to the full-cost ceiling calculation and depletion of our oil and natural gas properties, the estimation of our contract drilling segment's revenues and expenses, and the calculation of our income taxes, all of which are discussed in our Annual Report on Form 10-K, as amended by our Form 10-K/A Amendment No.1 and Form 10-K/A Amendment No.2, for the fiscal year ended September 30, 2019. There have been no significant changes to these critical accounting policies and estimates during the three and nine months ended June 30, 2020. We continue to monitor our accounting policies to ensure proper application of current rules and regulations.

Current Outlook

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and the United States and Canadian governments declared the virus a national emergency shortly thereafter. As a result, the normal operations of many businesses have been disrupted, including the temporary closure or scale-back of business operations and/or the imposition of either quarantine or remote work or meeting requirements for employees, either by government order or on a voluntary basis. The global economy, our markets and our business have been materially and adversely affected by COVID-19.

The COVID-19 outbreak has caused significant reductions in demand for oil and oil prices, which has caused the Company to suspend the development of proved undeveloped reserves and has impacted the Company's financial condition and outlook. While the Company's contract drilling segment continues to work, the impact of COVID-19 on the ability or desire for customers to continue such work is uncertain, and any discontinuation of contracts currently in backlog would result in a material adverse impact to the Company's financial condition and outlook. Both the health and economic aspects of the COVID-19 pandemic are highly fluid and the future course of each is uncertain. We cannot foresee whether the outbreak of COVID-19 will be effectively contained on a sustained basis, nor can we predict the severity and duration of its impact. If the outbreak of COVID-19 is not effectively and timely controlled, our business operations and financial condition may continue to be materially and adversely affected as a result of the deteriorating market outlook, the global economic recession, weakened liquidity or factors that we cannot foresee. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

Going Concern

Our ability to sustain our business in the future will depend on sufficient oil and natural gas operating cash flows, which are highly sensitive to potentially volatile oil and natural gas prices, sufficient contract drilling operating cash flows, which are subject to potentially large changes in demand, and sufficient future land investment segment proceeds and distributions from the Kukio Resort Land Development Partnerships, the timing of which are both highly uncertain and not within Barnwell's control. A sufficient level of such cash inflows are necessary to fund discretionary oil and natural gas capital expenditures, which must be economically successful to provide sufficient returns, as well as fund our non-discretionary outflows such as oil and natural gas asset retirement obligations and ongoing operating and general and administrative expenses.

We have experienced a trend of losses and negative operating cash flows in recent years. Due to the additional impacts of the COVID-19 pandemic, we now face a greater uncertainty about our cash inflows as described above, which in turn leads to substantial doubt regarding our ability to make the required discretionary cash outflows for the capital expenditures necessary to convert our proved undeveloped reserves to proved developed reserves. Furthermore, because of the greater uncertainty about our cash inflows described above, there is substantial doubt about our ability to fund our non-discretionary cash outflows and thus substantial doubt about our ability to continue as a going concern for one year from the date of the filing of this report.

The Company is investigating potential sources of funding, including non-core oil and natural gas property sales, however, no probable sources of such funding have yet been secured. Alternatively, management has the ability to sell its corporate office on the 29th floor of a commercial office building in downtown Honolulu, Hawaii, to generate liquidity without impacting operations significantly, in order to mitigate the substantial doubt about our ability to continue as a going concern. However, the Company's ability to sell its corporate office at an appropriate time or for a sufficient price is outside of the Company's control and is therefore not probable. Because of this uncertainty as well as uncertainties regarding the potential duration and depth of the impacts of the COVID-19 pandemic on our business as described above, substantial doubt about our ability to continue as a going concern for one year from the date of the filing of this report exists.

Impact of Recently Issued Accounting Standards on Future Filings

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which replaces the incurred loss model with an expected loss model referred to as the current expected credit loss ("CECL") model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including but not limited to trade receivables. This ASU is effective for annual reporting periods beginning after December 15, 2022, and interim periods within those annual periods. The FASB has subsequently issued other related ASUs which amend ASU 2016-13 to provide clarification and additional guidance. The Company is currently evaluating the impact of these standards.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement: Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement," which provides changes to certain fair value disclosure requirements. This ASU is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The adoption of this update is not expected to have a material impact on Barnwell's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation - Retirement Benefits-Defined Benefit Plans - General: Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans," which provides changes to certain pension and postretirement plan disclosures. This ASU is effective for annual reporting periods ending after December 15, 2020, with early adoption permitted. The adoption of this update is not expected to have a material impact on Barnwell's consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, "Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities," which modifies the guidance related to indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interest. This ASU is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The adoption of this update is not expected to have a material impact on Barnwell's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which enhances and simplifies various aspects of the income tax accounting guidance in ASC 740. This ASU is effective for annual reporting periods beginning after December 15, 2020 and interim periods within those annual periods, with early adoption permitted. The adoption of this update is not expected to have a material impact on Barnwell's consolidated financial statements.

Overview

Barnwell is engaged in the following lines of business: 1) acquiring, developing, producing and selling oil and natural gas in Canada (oil and natural gas segment), 2) investing in land interests in Hawaii (land investment segment), and 3) drilling wells and installing and repairing water pumping systems in Hawaii (contract drilling segment).

Oil and Natural Gas Segment

Barnwell is involved in the acquisition and development of oil and natural gas properties in Canada where we initiate and participate in acquisition and developmental operations for oil and natural gas on properties in which we have an interest, and evaluate proposals by third parties with regard to participation in such exploratory and developmental operations elsewhere.

Land Investment Segment

Through Barnwell's 77.6% interest in Kaupulehu Developments, a Hawaii general partnership, 75% interest in KD Kona 2013 LLLP, a Hawaii limited liability limited partnership, and 34.45% non-controlling interest in KKM, a Hawaii limited liability limited partnership, the Company's land investment interests include the following:

- The right to receive percentage of sales payments from KD I resulting from the sale of single-family residential lots by KD I, within Increment I of the approximately 870 acres of the Kaupulehu Lot 4A area located in the North Kona District of the island of Hawaii. Kaupulehu Developments is entitled to receive payments from KD I based on the following percentages of the gross receipts from KD I's sales at Increment I: 10% of such aggregate gross proceeds greater than $100,000,000 up to $300,000,000; and 14% of such aggregate gross proceeds in excess of $300,000,000. Increment I is an area zoned for approximately 80 single-family lots, of which 19 remained to be sold at June 30, 2020, and a beach club on the portion of the property bordering the Pacific Ocean.

- Prior to March 7, 2019, the right to receive percentage of sales payments from KD II resulting from the sale of lots and/or residential units by KD II, within Increment II of Kaupulehu Lot 4A. Increment II is the remaining portion of the approximately 870-acre property and is zoned for single-family and multi-family residential units and a golf course and clubhouse. Kaupulehu Developments was entitled to receive payments from KD II based on a percentage of the gross receipts from KD II's sales ranging from 8% to 10% of the price of improved or unimproved lots or 2.60% to 3.25% of the price of units constructed on a lot, to be determined in the future depending upon a number of variables, including whether the lots are sold prior to improvement. Kaupulehu Developments was also entitled to receive 50% of any distributions otherwise payable from KD II to it members up to $8,000,000, of which $3,500,000 had been received. Two ocean front parcels approximately two to three acres in size fronting the ocean were developed and sold within Increment II by KD II, and Kaupulehu Developments received percentage of sales payments from those sales. The remaining acreage within Increment II is not yet developed. In February 2019, KD II was granted a 20-year time extension of the allowed zoning for the project that would have otherwise expired in April 2019.

  As of March 7, 2019, with the admission of Replay as a new development partner of Increment II, the ownership interests in KD II of KDK and Replay were changed to 55% and 45%, respectively. Additionally, Kaupulehu Developments has the right to receive 15% of the distributions of KD II, the cost of which is to be solely borne by KDK out of its 55% ownership interest in KD II, plus a priority payout of 10% of KDK's cumulative net profits derived from Increment II sales subsequent to Phase 2A, up to a maximum of $3,000,000. Such interests are limited to distributions or net profits interests and Barnwell does not have any partnership interest in KD II or KDK through its interest in Kaupulehu Developments. Barnwell also has rights to three single-family residential lots in Phase 2A of Increment II, and four single-family residential lots in phases subsequent to Phase 2A when such lots are developed by KD II, all at no cost to Barnwell. Barnwell is committed to commence construction of improvements within 90 days of the transfer of the four lots in the phases subsequent to Phase 2A as a condition of the transfer of such lots. Also, in addition to Barnwell's existing obligations to pay professional fees to certain parties based on percentages of its gross receipts, Kaupulehu Developments is now also obligated to pay an amount equal to 0.72% and 0.20% of the cumulative net profits of KD II to KD Development, LLC and a pool of various individuals, respectively, all of whom are partners of KKM and are unrelated to Barnwell, in compensation for the agreement of these parties to admit the new development partner for Increment II.

- Prior to March 7, 2019, we had an indirect 19.6% non-controlling ownership interest in KD Kukio Resorts, LLLP, KD Maniniowali, LLLP and KDK. As of March 7, 2019, with the admission of Replay as a new development partner of Increment II, we now have an indirect 10.8% non-controlling ownership interest in KD II through KDK. Our indirect interest in the other entities remains unchanged. These entities own certain real estate and development rights interests in the Kukio, Maniniowali and Kaupulehu portions of Kukio Resort, a private residential community on the Kona coast of the island of Hawaii, as well as Kukio Resort's real estate sales office operations. KDK was the developer of Kaupulehu Lot 4A Increments I and II. The partnerships derive income from the sale of residential parcels as well as from commission on real estate sales by the real estate sales office. KD I has engaged Replay as a consultant to assist with the sales and marketing strategy of Increment I. Replay does not have an ownership interest in KD I.

- Approximately 1,000 acres of vacant leasehold land zoned conservation in the Kaupulehu Lot 4C area located adjacent to the 870-acre Lot 4A described above, which currently has no development potential without both a development agreement with the lessor and zoning reclassification. The lease terminates in December 2025.

Contract Drilling Segment

Barnwell drills water and water monitoring wells and installs and repairs water pumping systems in Hawaii. Contract drilling results are highly dependent upon the quantity, dollar value and timing of contracts awarded by governmental and private entities and can fluctuate significantly.

Results of Operations

Summary

The net loss attributable to Barnwell for the three months ended June 30, 2020 totaled $3,456,000, a $2,091,000 decrease in operating results from a net loss of $1,365,000 for the three months ended June 30, 2019. The following factors affected the results of operations for the three months ended June 30, 2020 as compared to the prior year period:

- A $2,947,000 decrease in oil and natural gas segment operating results, before income taxes, primarily attributable to a $2,689,000 ceiling test impairment in the current year period primarily due to lower 12-month rolling average first-day-of-the-month prices, whereas there was no such ceiling test impairment in the prior year period; partially offset by

- A $608,000 increase in contract drilling segment operating results, before income taxes, primarily resulting from increased activity attributable to a significant well drilling contract.

The net loss attributable to Barnwell for the nine months ended June 30, 2020 totaled $5,384,000, a $2,706,000 improvement in operating results from a net loss of $8,090,000 for the nine months ended June 30, 2019. The following factors affected the results of operations for the nine months ended June 30, 2020 as compared to the prior year period:

- A $1,336,000 gain recognized in the current year period from the sale of the Company's leasehold interest in a three-quarter of an acre contract drilling segment maintenance and storage yard in Honolulu, Hawaii;

- A $2,600,000 increase in contract drilling segment operating results, before income taxes, primarily resulting from increased activity attributable to a significant well drilling contract;

- A $945,000 decrease in oil and natural gas segment operating results, before income taxes, primarily attributable to a $1,913,000 higher ceiling test impairment in the current year period, partially offset by a $421,000 decrease in oil and natural gas operating expenses and a $510,000 decrease in oil and natural gas depletion in the current year period as compared to the same period in the prior year as the prior year period; and

- A $414,000 increase in general and administrative expenses primarily due to increased legal, proxy solicitation, proxy advisory, public relations costs and bad debt expense in the current year period as compared to the same period in the prior year, partially offset by lower compensation costs as compared to the same period in the prior year.

General

Barnwell conducts operations in the U.S. and Canada. Consequently, Barnwell is subject to foreign currency translation and transaction gains and losses due to fluctuations of the exchange rates between the Canadian dollar and the U.S. dollar. Barnwell cannot accurately predict future fluctuations of the exchange rates and the impact of such fluctuations may be material from period to period. To date, we have not entered into foreign currency hedging transactions.

The average exchange rate of the Canadian dollar to the U.S. dollar decreased 3% and 1% in the three and nine months ended June 30, 2020, respectively, as compared to the same periods in the prior year. The exchange rate of the Canadian dollar to the U.S. dollar decreased 3% at June 30, 2020, as compared to September 30, 2019. Accordingly, the assets, liabilities, stockholders' equity and revenues and expenses of Barnwell's subsidiaries operating in Canada have been adjusted to reflect the change in the exchange rates. Other comprehensive income and losses are not included in net loss. Other comprehensive loss due to foreign currency translation adjustments, net of taxes, for the three months ended June 30, 2020 was $125,000, a $214,000 change from other comprehensive income due to foreign currency translation adjustments, net of taxes, of $89,000 for the same period in the prior year. Other comprehensive loss due to foreign currency translation adjustments, net of taxes, for the nine months ended June 30, 2020 was $36,000, a $158,000 change from other comprehensive loss due to foreign currency translation adjustments, net of taxes, of $194,000 for the same period in the prior year. There were no taxes on other comprehensive income (loss) due to foreign currency translation adjustments in the three and nine months ended June 30, 2020 and 2019 due to a full valuation allowance on the related deferred tax asset.

Oil and Natural Gas

The following tables set forth Barnwell's average prices per unit of production and net production volumes. Production amounts reported are net of royalties.

	Average Price Per Unit			
	Three months ended June 30,		Increase (Decrease)	
	2020	2019	$	%
Natural Gas (Mcf)*	**$ 1.42**	$ 0.87	$ 0.55	63%
Oil (Bbls)**	**$ 17.24**	$ 52.56	$ (35.32)	(67%)
Liquids (Bbls)**	**$ 4.67**	$ 23.40	$ (18.73)	(80%)

	Average Price Per Unit			
	Nine months ended June 30,		Increase (Decrease)	
	2020	2019	$	%
Natural Gas (Mcf)*	**$ 1.62**	$ 1.31	$ 0.31	24%
Oil (Bbls)**	**$ 33.62**	$ 39.92	$ (6.30)	(16%)
Liquids (Bbls)**	**$ 16.64**	$ 28.70	$ (12.06)	(42%)

	Net Production			
	Three months ended June 30,		Increase (Decrease)	
	2020	2019	Units	%
Natural Gas (Mcf)*	**125,000**	170,000	(45,000)	(26%)
Oil (Bbls)**	**34,000**	27,000	7,000	26%
Liquids (Bbls)**	**3,000**	5,000	(2,000)	(40%)

	Net Production			
	Nine months ended June 30,		Increase (Decrease)	
	2020	2019	Units	%
Natural Gas (Mcf)*	**480,000**	481,000	(1,000)	—%
Oil (Bbls)**	**113,000**	95,000	18,000	19%
Liquids (Bbls)**	**14,000**	14,000	—	—%

* Mcf = 1,000 cubic feet. Natural gas price per unit is net of pipeline charges.

** Bbl = stock tank barrel equivalent to 42 U.S. gallons

The oil and natural gas segment generated a $3,212,000 operating loss before general and administrative expenses in the three months ended June 30, 2020, a decrease in operating results of $2,947,000 as compared to the $265,000 operating loss before general and administrative expenses generated during the same period of the prior year. The oil and natural gas segment generated a $4,486,000 operating loss before general and administrative expenses in the nine months ended June 30, 2020, a decrease in operating results of $945,000 as compared to the $3,541,000 operating loss before general and administrative expenses generated during the same period of the prior year. The operating losses for the current year periods include the impact of a ceiling test impairment of $2,689,000 and $4,326,000 for the three and nine months ended June 30, 2020, respectively. There was no ceiling test impairment during the three months ended June 30, 2019 and a $2,413,000 ceiling test impairment included in the operating loss for the nine months ended June 30, 2019.

Oil and natural gas revenues decreased $858,000 (51%) for the three months ended June 30, 2020 as compared to the same period in the prior year, due primarily to a 67% decrease in oil prices. The decrease was partially offset by a 26% increase in oil production resulting from a new well drilled in the Spirit River area which began production in mid-November 2019. Oil and natural gas revenues increased $37,000 (1%) and thus were relatively unchanged for the nine months ended June 30, 2020, as compared to the same period in the prior year.

Oil and natural gas operating expenses decreased $333,000 (25%) and $421,000 (11%) for the three and nine months ended June 30, 2020, respectively, as compared to the same periods in the prior year, primarily due to significant repair and maintenance costs at the Twining property included in the prior year periods, whereas there were no such costs in the current year periods. The decreases were also due to shut-in of wells with relatively high operating costs and reductions in operator time and discounted costs obtained from vendors that were negotiated in light of the extremely low oil prices.

Oil and natural gas segment depletion decreased $267,000 (42%) and $510,000 (25%) for the three and nine months ended June 30, 2020, respectively, as compared to the same periods in the prior year, primarily due to a decrease in the depletion rates for the current year periods, as compared to the same periods in prior year, due primarily to impairment write-downs in the prior year.

The well drilled in the Spirit River area commenced production on November 17, 2019 and produced approximately 4,000 and 24,000 net barrels of oil during the three and nine months ended June 30, 2020, respectively; these net oil production amounts were net of a 6% royalty rate, which has increased to 17% beginning in April 2020 as the new well royalty holiday ended. The Company's share of recent net oil production in the last week of July 2020 from this well averaged approximately 46 barrels per day, which represents a 58% decrease from the average net daily oil production of 110 barrels per day during the three months ended March 31, 2020. The decline is due to both natural declines in production as well as the higher royalty rate due to the expiry of the royalty holiday.

The new well that was drilled and completed in December 2019 at the Twining area began producing oil and natural gas in January 2020. This well contributed approximately 7,200 barrels of net oil production from January through June 2020, representing 11% and 6% of total net oil production for the three and nine months ended June 30, 2020, respectively. The well was temporarily shut-in from mid-April 2020 to mid-May 2020 due to decreased oil prices. Recent net oil production from this well was approximately 108 barrels per day.

As a result of the unprecedented contraction of global oil demand resulting from the COVID-19 pandemic combined with the price war between Saudi Arabia and Russia, the oil price declines that began in March 2020 became more pronounced since then, with oil futures prices temporarily declining to unprecedented levels below zero. While oil prices have recovered somewhat from those record lows, the Company is unable to reasonably predict future oil prices and the impacts future oil prices will have on the Company.

Sale of Interest in Leasehold Land

The following table summarizes the revenues received from KD I and KD II and the amount of fees directly related to such revenues:

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	**2020**	2019
Sale of interest in leasehold land:				
Revenues - sale of interest in leasehold land	**$** —	$ —	**$** —	$ 165,000
Fees - included in general and administrative expenses	—	—	—	(20,000)
Sale of interest in leasehold land, net of fees paid	**$** —	$ —	**$** —	$ 145,000

No lots were sold during the nine months ended June 30, 2020. During the nine months ended June 30, 2019, Barnwell received $165,000 in percentage of sales payments from KD I from the sale of one single-family lot within Phase II of Increment I.

As of June 30, 2020, 19 single-family lots of the 80 lots developed within Increment I remained to be sold. As discussed in the Overview section above, Replay was admitted as a new development partner of Increment II on March 7, 2019. The Company does not have a controlling interest in Increments I and II, and there is no assurance with regards to the amounts of future sales from Increments I and II.

Contract Drilling

Contract drilling revenues and contract drilling costs increased $1,351,000 (80%) and $725,000 (58%), respectively, for the three months ended June 30, 2020, as compared to the same period in the prior year. The contract drilling segment generated a $977,000 operating profit before general and administrative expenses in the three months ended June 30, 2020, an increase in operating results of $608,000 as compared to the $369,000 operating profit generated during the same period of the prior year.

Contract drilling revenues and contract drilling costs increased $4,440,000 (116%) and $1,763,000 (47%), respectively, for the nine months ended June 30, 2020, as compared to the same period in the prior year. The contract drilling segment generated a $2,455,000 operating profit before general and administrative expenses in the nine months ended June 30, 2020, an increase in operating results of $2,600,000 as compared to the $145,000 operating loss generated during the same period of the prior year. The increase in operating results was primarily due to a significant well drilling contract for multiple wells that is based on a fixed rate per day or fixed rate per hour, depending upon the activity, as opposed to the Company's typical contracts that are based on a fixed price per lineal foot drilled. Up to three drilling rigs were being used at this job during the current year periods with crews working extended hours. The current period increase in operating results was partially offset by a decrease in operating results due to the unfavorable impact of the unsuccessful removal of a hole opener at the bottom of a water well as discussed below.

The significantly increased operational activity that has led to the increased contract drilling segment operating results for the three and nine month periods ended June 30, 2020, has declined since June 30, 2020, as the aforementioned significant well drilling contract is nearing completion, such that contract drilling revenues are anticipated to decline as compared to recently completed quarters.

In the quarter ended December 31, 2019, the Company experienced the failure of a hole opener which broke apart leaving pieces in the bottom of a water well being drilled in Hawaii. Efforts to remove the items from the well were unsuccessful through the quarter ended March 31, 2020 and subsequently, the Company determined that the well should be abandoned and a new well drilled at no incremental cost to the customer as per the terms of the contract. Accordingly, all the costs to drill and abandon the first well, which were all wasted costs, were excluded from the measurement of progress toward contract completion and all such costs were fully accrued in the quarter ended March 31, 2020, as this contract was determined to be a loss job. As a result, $733,000 of revenue previously recognized was reversed in the nine months ended June 30, 2020 and the Company recognized a decrease of approximately $670,000 in the estimated margin of this contract in the nine months ended June 30, 2020.

In the year ended September 30, 2019, two of the water wells drilled by the contract drilling segment for one customer were determined to not meet the contract specifications for plumbness. Subsequently, in the quarter ended March 31, 2020, the Company executed a separate five-year warranty agreement with the customer for one of the wells that did not meet plumbness. Under the terms of the agreement, if the lack of plumbness is determined to be the cause of a pump failure within the warranty period, the Company would be obligated to replace the pump at no cost to the customer. If the Company is unable to replace the pump using industry-standard methods, or if there are two or more pump failures attributable to lack of plumbness within the five-year warranty period, the Company would be obligated to drill a new well at no cost to the customer. Negotiations with the customer are currently ongoing for the other well that the customer claims did not meet plumbness despite the fact that the independent consulting engineer for the job concluded that the most recent plumbness test, completed after the well was cased with the casing cemented into place per the contract, showed that the well meets the plumbness specifications of the contract. Management believes the degrees of deviation for both wells are not impactful to the performance of the submersible pumps that will be installed in those wells. Accordingly, no accruals have been recorded as of June 30, 2020 as there is no probable or estimable contingent liability.

On July 28, 2020, the Staff of the State of Hawaii’s Commission on Water Resource Management (“Commission”) circulated a draft of a proposed recommendation to the Commission under which the Company, the water utility, the water utility's independent hydrologist firm and the owner of the land on which the two aforementioned water wells were drilled would be assessed penalty fines because each of the wells was drilled beyond the depth permitted by the permit. The wells were drilled beyond permitted depth to penetrate certain layers of impermeable rock necessary to access the aquifer at the instructions and on the advice of the hydrologist. The Company’s share of the proposed penalties and fines calculates to approximately $1,200,000. The Commission also provided a proposed alternative settlement in lieu of the penalties and fines whereby the named parties would be responsible for the drilling of two monitor wells in locations and with specifications that are subject to approval of the Commission, at no cost to the Commission, to aid in the Commission’s efforts to monitor water quality in the subject area. The Company and the other three parties are currently evaluating potential sites for monitoring wells that it believes would likely satisfy the Commission's request under the proposed alternative settlement but it is currently uncertain as to whether or not the Commission would accept the site locations and specifications of the monitor wells currently being considered. Additionally, it is uncertain as to how the cost of the two monitoring wells under the alternative settlement would be allocated to the named parties of the subject violations. Accordingly, the Company recorded a contingent liability of approximately $250,000 at June 30, 2020.

Contract drilling revenues and costs are not seasonal in nature, but can fluctuate significantly based on the awarding and timing of contracts, which are determined by contract drilling customer demand. There has been a significant decrease in demand for water well drilling contracts in recent years that has generally led to increased competition for available contracts and lower margins on awarded contracts. The Company is unable to predict the near-term and long-term availability of water well drilling and pump installation and repair contracts as a result of this volatility in demand. While the Company's contract drilling segment continues to work, the impact of COVID-19 on the ability or desire for customers to continue such work is uncertain, and any discontinuation of contracts currently in backlog for any reason would result in a material adverse impact to the Company's financial condition and outlook.

General and Administrative Expenses

General and administrative expenses decreased $104,000 (8%) for the three months ended June 30, 2020, as compared to the same period in the prior year. The decrease was primarily due to a reduction in compensation costs and professional fees related to audit fees in the current year period, partially offset by higher bad debt expense related to oil and natural gas segment joint venture partners that encountered liquidity issues in the current year period, as compared to same period in the prior year. General and administrative expenses increased $414,000 (9%) for the nine months ended June 30, 2020, as compared to the same period in the prior year. The increase was due to increased legal, proxy solicitation, proxy advisory, public relations costs and bad debt expense in the current year period, as compared to the same period in the prior year. The increase was partially offset by lower compensation costs in the current year period, as compared to the same period in the prior year.

Depletion, Depreciation, and Amortization

Depletion, depreciation, and amortization decreased $253,000 (35%) and $438,000 (19%) for the three and nine months ended June 30, 2020, respectively, as compared to the same periods in the prior year, primarily due to the decrease in oil and natural gas depletion as discussed in the "Oil and natural gas" section above.

Impairment of Assets

Under the full cost method of accounting, the Company performs quarterly oil and natural gas ceiling test calculations. There was a ceiling test impairment of $2,689,000 and $4,326,000 during the three and nine months ended June 30, 2020, respectively. There was no ceiling test impairment during the three months ended June 30, 2019 and a ceiling test impairment of $2,413,000 during the nine months ended June 30, 2019.

Changes in the mandated 12-month historical rolling average first-day-of-the-month prices for oil, natural gas and natural gas liquids prices, the value of reserve additions as compared to the amount of capital expenditures to obtain them, and changes in production rates and estimated levels of reserves, future development costs and the estimated market value of unproved properties, impact the determination of the maximum carrying value of oil and natural gas properties. Prior to the quarter ended March 31, 2020, the ceiling test calculation included management's estimation that the Company had the ability to fund the approximately $12,000,000 of future capital expenditures necessary over the next five years to develop proved undeveloped reserves in the Twining area of Alberta, Canada. However, due to the impact on oil prices and the extreme uncertainties created by the COVID-19 pandemic on the Company's financial outlook, management is no longer reasonably certain that the Company will have the financial resources necessary to make any of the approximately $12,000,000 of capital expenditures necessary to develop the proved undeveloped reserves. Therefore, the proved undeveloped reserves continue to be excluded from the quarterly ceiling test calculations subsequent to December 31, 2019.

As discussed above, the ceiling test mandates the use of the 12-month historical rolling average first-day-of-the-month prices. If oil prices remain at current levels or decline further, it is more likely than not that the Company will incur further impairment write-downs in future periods in the absence of any offsetting factors that are not currently known or projected.

Gain on Sale of Asset

In March 2020, the Company sold its leasehold interest in a three-quarter of an acre contract drilling segment maintenance and storage yard in Honolulu, Hawaii to an unrelated third party for a $1,100,000 cash payment. As a result of the sale transaction, the Company recognized a gain of $1,336,000, inclusive of a $236,000 gain from the reversal of the storage yard's lease liability in excess of the right-of-use asset, in the quarter ended March 31, 2020.

Equity in Loss of Affiliates

Barnwell's investment in the Kukio Resort Land Development Partnerships is accounted for using the equity method of accounting. Barnwell was allocated partnership losses of $111,000 and $179,000 during the three and nine months ended June 30, 2020, respectively, as compared to allocated losses of $259,000 and $545,000 during the three and nine months ended June 30, 2019, respectively. The change in allocated partnership losses is due to the investee partnerships' improved operating results for the three and nine months ended June 30, 2020, as compared to the same periods in the prior year.

Income Taxes

Barnwell's effective consolidated income tax benefit rate, after adjusting loss before income taxes for non-controlling interests, was 1% for the three months ended June 30, 2020 and nil for the nine months ended June 30, 2020, as compared to an effective income tax benefit rate of 6% and 3% for the three and nine months ended June 30, 2019, respectively.

Consolidated taxes do not bear a customary relationship to pretax results due primarily to the fact that the Company is taxed separately in Canada based on Canadian source operations and in the U.S. based on consolidated operations, and essentially all deferred tax assets, net of relevant offsetting deferred tax liabilities, are not estimated to have a future benefit as tax credits or deductions. Income from our non-controlling interest in the Kukio Resort Land Development Partnerships is treated as non-unitary for state of Hawaii unitary filing purposes, thus unitary Hawaii losses provide limited sheltering of such non-unitary income.

Net Loss Attributable to Non-controlling Interests

Earnings and losses attributable to non-controlling interests represent the non-controlling interests' share of revenues and expenses related to the various partnerships and joint ventures in which Barnwell has controlling interests and consolidates.

Net loss attributable to non-controlling interests totaled $11,000 and $20,000 for the three and nine months ended June 30, 2020, respectively, as compared to net loss attributable to non-controlling interests of $33,000 and $32,000 for the same periods in the prior year. The change of $22,000 (67%) and $12,000

(38%) for the three and nine months, respectively, is primarily due to a decrease in the amount of Kukio Land Development Partnership losses in the current year periods as compared to the same periods in the prior year.

Liquidity and Capital Resources

Barnwell’s primary sources of liquidity are cash on hand, cash flow generated by operations, and land investment segment proceeds. At June 30, 2020, Barnwell had $1,691,000 in working capital.

Cash Flows

Cash flows provided by operations totaled $472,000 for the nine months ended June 30, 2020, as compared to cash flows used in operations of $1,631,000 during the same period of the prior year. The $2,103,000 change in operating cash flows for the nine months ended June 30, 2020 as compared to the prior year was primarily due to higher operating results for the contract drilling segment as well as higher operating results, before non-cash impairment and depletion expenses, for the oil and natural gas segment as compared to the prior year period. The change was also due to changes in working capital, primarily attributed to fluctuations in contract liabilities in the current period as compared to the prior year period.

Cash flows used in investing activities totaled $1,116,000 during the nine months ended June 30, 2020, as compared to $802,000 of net cash provided by investing activities during the same period of the prior year. This $1,918,000 decrease in investing cash flows was primarily due to $741,000 in maturities of certificates of deposit in the prior fiscal year period as compared to none in the current year period, a $911,000 decrease in proceeds from the sale of oil and natural gas properties in the current period as compared to the prior year period, and an increase of $2,451,000 in oil and natural gas capital expenditures, mainly attributed to new wells drilled in the Twining and Spirit River areas in the current period, as compared to the prior year period. These items were partially offset by an increase of $1,100,000 in proceeds in the current year period attributed to the sale of the Company's leasehold interest in a three-quarter of an acre contract drilling segment maintenance and storage yard in Honolulu, Hawaii, and a decrease of $906,000 in other capital expenditures in the current year period, primarily due to the purchase of a water well drilling rig and other ancillary equipment in the prior year period.

Net cash provided by financing activities totaled $147,000 for the nine months ended June 30, 2020, as compared to net cash flows used in financing activities of $110,000 for the nine months ended June 30, 2019. The $257,000 change in financing cash flows was primarily attributed to an increase of $147,000 in long-term borrowings attributed to the PPP loan received during the current year period and $110,000 in distributions to non-controlling interests in the prior year period.

Paycheck Protection Program Loan

On April 28, 2020, the Company, as obligor, entered into a promissory note evidencing an unsecured loan in the approximate amount of $147,000 under the PPP pursuant to the CARES Act that was signed into law in March 2020. The note matures two years after the date of the loan disbursement and bears interest at a fixed annual rate of 1.00%, with the first six months of principal and interest deferred. Under the terms of the CARES Act and the PPP, the Company can apply for and be granted forgiveness for all or a portion of the loan issued under the PPP and the loan is expected to be forgiven to the extent the proceeds are used in accordance with the PPP to cover payroll, mortgage interest, rent, and utility costs incurred by the Company over the 24-week period following the loan disbursement date. At this time, the Company believes that its use of the loan proceeds will meet the conditions for forgiveness under the PPP.

Canada Emergency Wage Subsidy

During the quarter ended June 30, 2020, the Company's two subsidiaries with Canadian operations, Barnwell of Canada, Limited, and Octavian Oil, Ltd., qualified for the Canada Emergency Wage Subsidy ("CEWS"). The CEWS is a program that will provide a subsidy of 75% of eligible employee wages up to a maximum of approximately $600 per week for each employee. As of the date of this report, the Company received a total of approximately $67,000 in CEWS subsidies. The CEWS is currently scheduled to run through August 29, 2020.

Going Concern

Our ability to sustain our business in the future will depend on sufficient oil and natural gas operating cash flows, which are highly sensitive to potentially volatile oil and natural gas prices, sufficient contract drilling operating cash flows, which are subject to potentially large changes in demand, and sufficient future land investment segment proceeds and distributions from the Kukio Resort Land Development Partnerships, the timing of which are both highly uncertain and not within Barnwell's control. A sufficient level of such cash inflows are necessary to fund discretionary oil and natural gas capital expenditures, which must be economically successful to provide sufficient returns, as well as fund our non-discretionary outflows such as oil and natural gas asset retirement obligations and ongoing operating and general and administrative expenses.

We have experienced a trend of losses and negative operating cash flows in recent years. Due to the additional impacts of the COVID-19 pandemic, we now face a greater uncertainty about our cash inflows as described above, which in turn leads to substantial doubt regarding our ability to make the required discretionary cash outflows for the capital expenditures necessary to convert our proved undeveloped reserves to proved developed reserves. Furthermore, because of the greater uncertainty about our cash inflows described above, there is substantial doubt about our ability to fund our non-discretionary cash outflows and thus substantial doubt about our ability to continue as a going concern for one year from the date of the filing of this report.

The Company is investigating potential sources of funding, including non-core oil and natural gas property sales, however, no probable sources of such funding have yet been secured. Alternatively, management has the ability to sell its corporate office on the 29th floor of a commercial office building in downtown Honolulu, Hawaii, to generate liquidity without impacting operations significantly, in order to mitigate the substantial doubt about our ability to continue as a going concern. However, the Company's ability to sell its corporate office at an appropriate time or for a sufficient price is outside of the Company's control and is therefore not probable. Because of this uncertainty as well as uncertainties regarding the potential duration and depth of the impacts of the COVID-19 pandemic on our business as described above, substantial doubt about our ability to continue as a going concern for one year from the date of the filing of this report exists.

Oil and Natural Gas Capital Expenditures

Barnwell's oil and natural gas capital expenditures, including accrued capital expenditures and excluding acquisitions and additions and revisions to estimated asset retirement obligations, totaled $26,000 and $3,144,000 for the three and nine months ended June 30, 2020, respectively, whereas these amounts were not significant for the three and nine months ended June 30, 2019. In the quarter ended December 31, 2019, Barnwell drilled one gross (1.00 net) development well in the Twining area and incurred approximately $2,400,000 in capital expenditures for this well during the nine months ended June 30, 2020. Also in the quarter ended December 31, 2019, Barnwell participated in the drilling of one gross (0.28 net) development well in the Spirit River area and incurred approximately $670,000 in capital expenditures for this well during the nine months ended June 30, 2020.

Due to the uncertainties created by the COVID-19 pandemic, investments in oil and natural gas properties have been suspended indefinitely.

Oil and Natural Gas Property Acquisitions and Dispositions

Dispositions

In October 2019, Barnwell entered into a purchase and sale agreement with an independent third party and sold its interests in properties located in the Progress area of Alberta, Canada. The sales price per the agreement was adjusted for customary purchase price adjustments to $594,000 in order to, among other things, reflect an economic effective date of October 1, 2019. The final determination of the customary adjustments to the purchase price has not yet been made however it is not expected to result in a material adjustment. The proceeds were credited to the full cost pool, with no gain or loss recognized, as the sale did not result in a significant alteration of the relationship between capitalized costs and proved reserves.

There were no oil and natural gas property dispositions during the nine months ended June 30, 2019. The $1,519,000 of proceeds from sale of oil and natural gas properties included in the Condensed Consolidated Statement of Cash Flows for the nine months ended June 30, 2019 primarily represents the refund of income taxes previously withheld from what otherwise would have been proceeds on the previous years' oil and natural gas property sales.

In January 2020, Barnwell engaged a broker to market its non-core oil and natural gas properties in areas other than at Twining. No significant bids were received on their due date and the marketed properties remain open for bid.

Acquisitions

There were no significant amounts paid for oil and natural gas property acquisitions during the nine months ended June 30, 2020.

In the quarter ended December 31, 2018, Barnwell acquired additional working interests in oil and natural gas properties located in the Wood River and Twining areas of Alberta, Canada for cash consideration of $355,000. The purchase prices per the agreements were adjusted for customary purchase price adjustments to reflect the economic activity from the effective date to the closing date. The customary adjustments to the purchase prices were finalized during the quarter ended June 30, 2019 and resulted in an immaterial adjustment. There were no other oil and natural gas property acquisitions during the nine months ended June 30, 2019.

NYSE American Continued Listing Standard

On January 13, 2020, the Company received a letter from the NYSE American LLC (the “Exchange”) Staff indicating that the Company is not in compliance with certain continued listing standards relating to stockholders equity as set forth in Part 10, Section 1003 of the NYSE American Company Guide (the “Guide”). Based on the Company’s annual report on Form 10-K for the fiscal year ended September 30, 2019, which was filed with the SEC on December 20, 2019, the Company was below compliance with Part 10, Sections

1003(a)(i) and (a)(ii) of the Guide since it reported stockholders' equity of $1.2 million and net losses in fiscal years ended September 30, 2019, September 30, 2018 and September 30, 2016.

In accordance with the Exchange's policies and procedures, the Company submitted its plan of compliance (the "Plan") addressing how the Company intends to regain compliance with Part 10, Section 1003 of the Guide. On April 2, 2020, the Exchange notified the Company that it accepted the Company's Plan and granted the Company an extension for its continued listing until July 13, 2021 (the "Plan Period"). The Company will be subject to periodic review by Exchange Staff during the Plan Period. The Plan was submitted to the Exchange before the start of the COVID-19 pandemic-related low commodity price environment, the oil price war between Saudi Arabia and Russia and other macroeconomic pressures that have impacted our businesses and the U.S. economy in general. The magnitude and duration of these factors have and will adversely affect the Company's ability to achieve the Plan's goals and to return to compliance with the Exchange's listing standards. If the Company does not regain compliance by the end of the Plan Period, or if the Company does not make progress consistent with its Plan, the Exchange may initiate delisting procedures as appropriate.

On July 2, 2020, the Company submitted its update to the Plan as was required by the Exchange. In that update, the Company reported that due largely to the impact of COVID-19 on the outlook for oil prices and other economic impacts of COVID-19 that could be relevant to the Company's operations, the Company expects that it likely will not obtain a stockholders' equity of $4,000,000 by July 13, 2021, the end of the Plan "cure period." Additionally, the Company's reported stockholders' equity fell from $2,049,000 at March 31, 2020 to a stockholders' deficit of $1,512,000 at June 30, 2020. Thus, the Company may fail to be in compliance with the NYSE American continued listing standards relating to stockholders' equity to which the Plan relates; specifically Section 1003(a)(i) (requiring stockholders' equity of $2.0 million or more if it has reported losses from continuing operations and/or net losses in two of its three most recent fiscal years) and Section 1003(a)(ii) (requiring stockholders' equity of $4.0 million or more if it has reported losses from continuing operations and/or net losses in three of its four most recent fiscal years). The Company has not received any correspondence from the Exchange other than acknowledgment of receipt of the update. If the Exchange delists our common stock, investors may face material adverse consequences, including, but not limited to, a lack of a trading market for our common stock, reduced liquidity, and an inability for us to obtain financing to fund our operations.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to Barnwell, including its consolidated subsidiaries, is made known to the officers who certify Barnwell's financial reports and to other members of executive management and the Board of Directors.

As of June 30, 2020, an evaluation was carried out by Barnwell's Chief Executive Officer and Chief Financial Officer of the effectiveness of Barnwell's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Barnwell's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective as of June 30, 2020 to ensure that information required to be disclosed by Barnwell in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Act of 1934 and the rules thereunder.

Changes in Internal Control Over Financial Reporting

There was no change in Barnwell's internal control over financial reporting during the quarter ended June 30, 2020 that materially affected, or is reasonably likely to materially affect, Barnwell's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

We are updating the risk factor disclosure in “Item 1A. Risk Factors” in our Annual Report on Form 10-K, as amended by our Form 10-K/A Amendment No. 1 and Form 10-K/A Amendment No. 2, for the fiscal year ended September 30, 2019 by adding the discussion below.

Entity-Wide Risks

Our business operations and financial condition have been and may continue to be materially and adversely affected by the outbreak of a novel strain of coronavirus disease, referred to as COVID-19.

An outbreak of a novel strain of coronavirus, which causes the disease referred to as COVID-19, emerged in Wuhan, China in late 2019. The novel coronavirus is considered highly contagious and has spread to most countries around the world and throughout the United States, creating a serious impact on customers, workforces and suppliers, disrupting economies and financial markets and leading to a world-wide economic downturn. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and the United States and Canadian governments declared the virus a national emergency shortly thereafter. As a result, the normal operations of many businesses have been disrupted, including the temporary closure or scale-back of business operations and/or the imposition of either quarantine or remote work or meeting requirements for employees, either by government order or on a voluntary basis. The Company is currently following the recommendations of local and federal health authorities to minimize exposure risk for its various stakeholders, including employees.

The global economy, our markets and our business have been materially and adversely affected by COVID-19. In the first calendar quarter of 2020, the COVID-19 outbreak caused significant reductions in demand for oil and oil prices, which has caused the Company to suspend the development of proven undeveloped reserves and has impacted the Company’s financial condition and outlook. While the Company’s contract drilling segment continues to work, the impact of COVID-19 on the ability or desire for customers to continue such work is uncertain, and any discontinuation of contracts currently in backlog would result in a material adverse impact to the Company’s financial condition and outlook. Both the health and economic aspects of the COVID-19 pandemic are highly fluid and the future course of each is uncertain. We cannot foresee whether the outbreak of COVID-19 will be effectively contained on a sustained basis, nor can we predict the severity and duration of its impact. If the outbreak of COVID-19 is not effectively and timely controlled, our business operations and financial condition may continue to be materially and adversely affected as a result of the deteriorating market outlook, the global economic recession, weakened liquidity or factors that we cannot foresee. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

Our failure to maintain continued compliance with the listing requirements of the NYSE American exchange could result in the delisting of our common stock.

Our common stock is listed on the NYSE American. The rules of NYSE American provide that shares be delisted from trading, if, among other things, the Company has failed to comply with its listing agreements relating to stockholders' equity. For example, the NYSE American may consider suspending trading in, or removing the listing of, securities of an issuer that has stockholders' equity of less than (i) $6.0 million if such issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years, (ii) $4.0 million if such issuer has sustained losses from continuing operations and/or net losses in three of its four most recent fiscal years, and (iii) $2.0 million if such issuer has sustained losses from continuing operations and/or net losses in two of its three most recent fiscal years. As of September 30, 2019, the Company had stockholders' equity of approximately $1.2 million, and we may not be able to maintain stockholders' equity in the future. Even if an issuer has a stockholders' deficit, the NYSE American will not normally consider delisting securities of an issuer that fails to meet these requirements if the issuer has (1) average global market capitalization of at least $50,000,000; or total assets and revenue of $50,000,000 in its last fiscal year, or in two of its last three fiscal years; and (2) the issuer has at least 1,100,000 shares publicly held, a market value of publicly held shares of at least $15,000,000 and 400 round lot shareholders. As of September 30, 2019, the Company's total value of market capitalization was approximately $4,304,000. As such, we do not currently meet these exceptions and there is a risk that our common stock may be delisted as a result of our failure to meet the minimum stockholders' equity requirement for continued listing. The NYSE American provides for an 18-month "cure period" for the Company to regain the minimum stockholders' equity requirement, however if the Company is unable to do so, the NYSE American may delist the Company's common stock.

On January 13, 2020, the Company received a letter from the Exchange Staff indicating that the Company is not in compliance with certain continued listing standards relating to stockholders equity as set forth in Part 10, Section 1003 of the Guide. Based on the Company's annual report on Form 10-K for the fiscal year ended September 30, 2019, which was filed with the SEC on December 20, 2019, the Company was below compliance with Part 10, Sections 1003(a)(i) and (a)(ii) of the Guide since it reported stockholders' equity of $1.2 million and net losses in fiscal years ended September 30, 2019, September 30, 2018 and September 30, 2016.

In accordance with the Exchange's policies and procedures, the Company submitted its Plan addressing how the Company intends to regain compliance with Part 10, Section 1003 of the Guide. On April 2, 2020, the Exchange notified the Company that it accepted the Company's Plan and granted the Company an extension for its continued listing during the Plan Period. The Company will be subject to periodic review by Exchange Staff during the Plan Period. The Plan was submitted to the Exchange before the start of the COVID-19 pandemic-related low commodity price environment, the oil price war between Saudi Arabia and Russia and other macroeconomic pressures that have impacted our businesses and the U.S. economy in general. The magnitude and duration of these factors have and will adversely affect the Company's ability to achieve the Plan's goals and to return to compliance with the Exchange's listing standards. If the Company does not regain compliance by the end of the Plan Period, or if the Company does not make progress consistent with its Plan, the Exchange may initiate delisting procedures as appropriate.

On July 2, 2020, the Company submitted its update to the Plan as was required by the Exchange. In that update, the Company reported that due largely to the impact of COVID-19 on the outlook for oil prices and other economic impacts of COVID-19 that could be relevant to the Company's operations, the Company expects that it likely will not obtain a stockholders' equity of $4,000,000 by July 13, 2021, the end of the Plan "cure period." Additionally, the Company's reported stockholders' equity fell from $2,049,000 at March

31, 2020 to a stockholders' deficit of $1,512,000 at June 30, 2020. Thus, the Company may fail to be in compliance with the NYSE American continued listing standards relating to stockholders' equity to which the Plan relates; specifically Section 1003(a)(i) (requiring stockholders' equity of $2.0 million or more if it has reported losses from continuing operations and/or net losses in two of its three most recent fiscal years) and Section 1003(a)(ii) (requiring stockholders' equity of $4.0 million or more if it has reported losses from continuing operations and/or net losses in three of its four most recent fiscal years). The Company has not received any correspondence from the Exchange other than acknowledgment of receipt of the update. If the Exchange delists our common stock, investors may face material adverse consequences, including, but not limited to, a lack of a trading market for our common stock, reduced liquidity, and an inability for us to obtain financing to fund our operations.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.2	Amended and Restated By-Laws (1)
31.1	Certification of Chief Executive Officer Pursuant To Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant To Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to Exhibit 3.1 to Registrant’s Form 8-K filed on January 14, 2020.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BARNWELL INDUSTRIES, INC.
(Registrant)

Date: August 13, 2020

/s/ Russell M. Gifford
Russell M. Gifford
Chief Financial Officer,
Executive Vice President,
Treasurer and Secretary

INDEX TO EXHIBITS

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(1) Incorporated by reference to Exhibit 3.1 to Registrant’s Form 8-K filed on January 14, 2020.

Exhibit No. 31.1

Certifications

I, Alexander C. Kinzler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Barnwell Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2020

/s/ Alexander C. Kinzler

Alexander C. Kinzler

President, Chief Executive Officer, Chief Operating Officer, General Counsel

Exhibit No. 31.2

Certifications

I, Russell M. Gifford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Barnwell Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2020

/s/ Russell M. Gifford

Russell M. Gifford
Executive Vice President, Chief Financial Officer

Exhibit No. 32

Barnwell Industries, Inc.

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Barnwell Industries, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned officers of the Company does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 13, 2020

/s/ Alexander C. Kinzler
Alexander C. Kinzler
Title: President, Chief Executive Officer, Chief Operating Officer, General Counsel

Dated: August 13, 2020

/s/ Russell M. Gifford
Name: Russell M. Gifford
Title: Executive Vice President, Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

A signed original of the written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.