

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36246

Civeo Corporation

(Exact name of registrant as specified in its charter)

British Columbia, Canada
(State or other jurisdiction of
incorporation or organization)

98-1253716
(I.R.S. Employer
Identification No.)

Three Allen Center, 333 Clay Street, Suite 4980,
Houston, Texas
(Address of principal executive offices)

77002
(Zip Code)

(713) 510-2400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES

NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large Accelerated Filer

Accelerated Filer

Emerging Growth Company

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting 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

The Registrant had 132,259,000 common shares outstanding as of October 23, 2017.

CIVEO CORPORATION

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PART I -- FINANCIAL INFORMATION

ITEM 1. Financial Statements

CIVEO CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2017	2016	2017	2016
Revenues:				
Service and other	\$ 95,564	\$ 97,792	\$ 274,438	\$ 290,307
Product	1,925	6,446	6,490	16,002
	<u>97,489</u>	<u>104,238</u>	<u>280,928</u>	<u>306,309</u>
Costs and expenses:				
Service and other costs	62,668	61,534	179,044	181,510
Product costs	2,859	6,430	7,639	16,983
Selling, general and administrative expenses	15,871	13,644	44,141	42,056
Depreciation and amortization expense	32,700	33,721	97,083	100,444
Impairment expense	4,360	37,729	4,360	46,129
Other operating expense	375	138	1,104	356
	<u>118,833</u>	<u>153,196</u>	<u>333,371</u>	<u>387,478</u>
Operating loss	(21,344)	(48,958)	(52,443)	(81,169)
Interest expense to third-parties	(5,441)	(6,072)	(15,697)	(16,941)
Loss on extinguishment of debt	--	--	(842)	(302)
Interest income	49	26	69	140
Other income	517	1,338	1,247	1,058
Loss before income taxes	(26,219)	(53,666)	(67,666)	(97,214)
Income tax benefit	4,011	11,697	9,875	17,217
Net loss	(22,208)	(41,969)	(57,791)	(79,997)
Less: Net income attributable to noncontrolling interest	123	162	343	442
Net loss attributable to Civeo Corporation.	<u>\$ (22,331)</u>	<u>\$ (42,131)</u>	<u>\$ (58,134)</u>	<u>\$ (80,439)</u>
Per Share Data (see Note 6)				
Basic net loss per share attributable to Civeo Corporation common shareholders	\$ (0.17)	\$ (0.39)	\$ (0.46)	\$ (0.75)
Diluted net loss per share attributable to Civeo Corporation common shareholders.	\$ (0.17)	\$ (0.39)	\$ (0.46)	\$ (0.75)
Weighted average number of common shares outstanding:				
Basic	130,889	107,118	127,512	106,989
Diluted.	130,889	107,118	127,512	106,989

The accompanying notes are an integral part of these financial statements.

CIVEO CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net loss	\$ (22,208)	\$ (41,969)	\$ (57,791)	\$ (79,997)
Other comprehensive income:				
Foreign currency translation adjustment, net of taxes of zero	14,343	9,599	38,691	26,511
Total other comprehensive income	<u>14,343</u>	<u>9,599</u>	<u>38,691</u>	<u>26,511</u>
Comprehensive loss	(7,865)	(32,370)	(19,100)	(53,486)
Comprehensive income attributable to noncontrolling interest	(126)	(123)	(667)	(443)
Comprehensive loss attributable to Civeo Corporation.	<u>\$ (7,991)</u>	<u>\$ (32,493)</u>	<u>\$ (19,767)</u>	<u>\$ (53,929)</u>

The accompanying notes are an integral part of these financial statements.

CIVEO CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	<u>SEPTEMBER 30,</u> <u>2017</u>	<u>DECEMBER 31,</u> <u>2016</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 54,002	\$ 1,785
Accounts receivable, net	63,113	56,302
Inventories	4,857	3,112
Prepaid expenses	10,281	15,431
Other current assets	5,948	5,938
Total current assets	<u>138,201</u>	<u>82,568</u>
Property, plant and equipment, net	756,138	789,710
Other intangible assets, net	24,700	28,039
Other noncurrent assets	10,711	10,129
Total assets	<u>\$ 929,750</u>	<u>\$ 910,446</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 23,893	\$ 20,675
Accrued liabilities	19,429	14,822
Income taxes	407	111
Current portion of long-term debt	16,671	15,471
Deferred revenue	4,016	6,792
Other current liabilities	1,625	2,572
Total current liabilities	<u>66,041</u>	<u>60,443</u>
Long-term debt, less current maturities	307,522	337,800
Deferred income taxes	--	9,194
Other noncurrent liabilities	30,358	27,019
Total liabilities	<u>403,921</u>	<u>434,456</u>
Commitments and contingencies (Note 9)		
Shareholders' Equity:		
Common shares (no par value; 550,000,000 shares authorized, 132,424,451 shares and 108,171,329 shares issued, respectively, and 132,259,000 shares and 108,103,048 shares outstanding, respectively)	--	--
Additional paid-in capital	1,382,160	1,311,226
Accumulated deficit	(531,534)	(472,764)
Common shares held in treasury at cost, 165,451 and 68,281 shares, respectively	(358)	(65)
Accumulated other comprehensive loss	(324,563)	(362,930)
Total Civeo Corporation shareholders' equity	<u>525,705</u>	<u>475,467</u>
Noncontrolling interest	124	523
Total shareholders' equity	<u>525,829</u>	<u>475,990</u>
Total liabilities and shareholders' equity	<u>\$ 929,750</u>	<u>\$ 910,446</u>

The accompanying notes are an integral part of these financial statements.

CIVEO CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY
(In Thousands)

Attributable to Civeo

	Common Shares					Accumulated Other Comprehensive	Noncontrolling	Total
	Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Shares	Income (Loss)	Interest	Shareholders' Equity	
Balance, December 31, 2015	\$ --	\$ 1,305,930	\$ (376,376)	\$ --	\$ (366,309)	\$ 525	\$ 563,770	
Net income (loss)	--	--	(80,439)	--	--	442	(79,997)	
Currency translation adjustment.	--	--	--	--	26,510	1	26,511	
Share-based compensation.	--	4,535	--	(65)	--	--	4,470	
Balance, September 30, 2016	\$ --	\$ 1,310,465	\$ (456,815)	\$ (65)	\$ (339,799)	\$ 968	\$ 514,754	
Balance, December 31, 2016	\$ --	\$ 1,311,226	\$ (472,764)	\$ (65)	\$ (362,930)	\$ 523	\$ 475,990	
Net income (loss)	--	--	(58,134)	--	--	343	(57,791)	
Currency translation adjustment.	--	--	--	--	38,367	324	38,691	
Dividends paid	--	--	--	--	--	(1,066)	(1,066)	
Cumulative effect of implementation of ASU 2016-09.	--	636	(636)	--	--	--	--	
Issuance of common shares	--	64,817	--	--	--	--	64,817	
Share-based compensation.	--	5,481	--	(293)	--	--	5,188	
Balance, September 30, 2017	\$ --	\$ 1,382,160	\$ (531,534)	\$ (358)	\$ (324,563)	\$ 124	\$ 525,829	

	Common Stock (in thousands)
Balance, December 31, 2016	108,103
Issuance of common shares	23,000
Share-based compensation.	1,156
Balance, September 30, 2017	132,259

The accompanying notes are an integral part of these financial statements.

CIVEO CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Net loss	\$ (57,791)	\$ (79,997)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	97,083	100,444
Impairment charges	4,360	46,129
Inventory write-down	--	850
Loss on extinguishment of debt	842	302
Deferred income tax benefit	(11,026)	(25,239)
Non-cash compensation charge	5,481	4,535
(Gain) loss on disposal of assets	(1,193)	259
Provision (benefit) for loss on receivables, net of recoveries	8	(74)
Other, net	3,307	2,546
Changes in operating assets and liabilities:		
Accounts receivable	(2,845)	(2,920)
Inventories	(1,507)	1,484
Accounts payable and accrued liabilities	5,910	2,766
Taxes payable	9,928	4,832
Other current assets and liabilities, net	(7,032)	(7,062)
Net cash flows provided by operating activities	<u>45,525</u>	<u>48,855</u>
Cash flows from investing activities:		
Capital expenditures	(8,020)	(15,246)
Proceeds from disposition of property, plant and equipment	1,625	4,465
Other, net	548	(761)
Net cash flows used in investing activities	<u>(5,847)</u>	<u>(11,542)</u>
Cash flows from financing activities:		
Proceeds from issuance of common shares, net	64,817	--
Term loan repayments	(12,214)	(37,107)
Revolving credit borrowings	44,525	230,323
Revolving credit repayments	(84,462)	(236,939)
Debt issuance costs	(1,795)	(2,037)
Other, net	(293)	(65)
Net cash flows provided by (used in) financing activities	<u>10,578</u>	<u>(45,825)</u>
Effect of exchange rate changes on cash	1,961	3,205
Net change in cash and cash equivalents	<u>52,217</u>	<u>(5,307)</u>
Cash and cash equivalents, beginning of period	<u>1,785</u>	<u>7,837</u>
Cash and cash equivalents, end of period	<u>\$ 54,002</u>	<u>\$ 2,530</u>

The accompanying notes are an integral part of these financial statements.

CIVEO CORPORATION

**NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of the Business

We are one of the largest integrated providers of workforce accommodations, logistics and facility management services to the natural resource industry. Our scalable modular facilities provide long-term and temporary accommodations where traditional accommodations and related infrastructure is insufficient, inaccessible or not cost effective. Once facilities are deployed in the field, we also provide catering and food services, housekeeping, laundry, facility management, water and wastewater treatment, power generation, communications and redeployment logistics. Our accommodations support our customers' employees and contractors in the Canadian oil sands and in a variety of oil and natural gas drilling, mining and related natural resource applications as well as disaster relief efforts, primarily in Canada, Australia and the United States. We operate in three principal reportable business segments – Canada, Australia and U.S.

On February 7, 2017, we closed a public offering of 23,000,000 common shares at \$3.00 per share. We used a portion of the net proceeds of \$64.8 million from the offering to repay amounts outstanding under several revolving credit facilities provided by our primary credit agreement (the Credit Agreement) and are using the remaining proceeds for general corporate purposes.

On February 17, 2017, the third amendment to the Credit Agreement (as so amended, the Amended Credit Agreement) became effective, which: (i) reduced the aggregate revolving loan commitments; (ii) added one additional level to the total leverage-based grid for determining interest rates; and (iii) increased the maximum leverage ratio allowed under the Amended Credit Agreement. For further information, please see Note 7 – Debt.

Basis of Presentation

Unless otherwise stated or the context otherwise indicates: (i) all references in these consolidated financial statements to "Civeo," "us," "our" or "we" refer to Civeo Corporation and its consolidated subsidiaries; and (ii) all references in this report to "dollars" or "\$" are to U.S. dollars.

The accompanying unaudited consolidated financial statements of Civeo have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC) pertaining to interim financial information. Certain information in footnote disclosures normally included in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) has been condensed or omitted pursuant to those rules and regulations. The unaudited financial statements included in this report reflect all the adjustments, consisting of normal recurring adjustments, which Civeo considers necessary for a fair presentation of the results of operations for the interim periods covered and for the financial condition of Civeo at the date of the interim balance sheet. Results for the interim periods are not necessarily indicative of results for the full year. Certain reclassifications have been made to the December 31, 2016 consolidated balance sheet to conform to the current year presentation.

The preparation of consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. If the underlying estimates and assumptions upon which the financial statements are based change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

The financial statements included in this report should be read in conjunction with our audited financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2016.

2. RECENT ACCOUNTING PRONOUNCEMENTS

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the FASB), which are adopted by us as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards or other guidance updates, which are not yet effective, will not have a material impact on our consolidated financial statements upon adoption.

CIVEO CORPORATION

**NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

(Continued)

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, “Financial Instruments – Credit Losses” (ASU 2016-13). This new standard changes how companies will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 is effective for financial statements issued for reporting periods beginning after December 15, 2019 and interim periods within the reporting periods. We are currently evaluating the impact of this new standard on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting” (ASU 2016-09). This new standard requires companies to recognize the income tax effects of awards in the income statement when the awards vest or are settled. ASU 2016-09 is effective for financial statements issued for reporting periods beginning after December 15, 2016 and interim periods within the reporting periods. The changes to the accounting for forfeitures and excess tax benefits or deficiencies should be applied using a modified retrospective transition method with a cumulative-effect adjustment to retained earnings. Effective with our quarterly report on Form 10-Q for the quarter ended March 31, 2017, we have adopted this standard effective January 1, 2017. Upon adoption of this standard, we no longer estimate forfeitures in advance and now recognize forfeitures as they occur and have reflected a cumulative effect adjustment of \$0.6 million to accumulated deficit in the accompanying unaudited consolidated balance sheet as of September 30, 2017. In addition, this new standard requires that companies classify the cash paid to a tax authority when shares are withheld to satisfy the employer’s statutory income tax withholding obligation as a financing activity. As a result of our withholding of shares for tax-withholding purposes, during the year ended December 31, 2016, we withheld approximately 68,000 shares at a total value of \$0.1 million. As a result of our adoption of ASU 2016-09, we reclassified \$0.1 million of tax-withholdings from operating activities to financing activities on the accompanying unaudited consolidated statement of cash flows for the nine months ended September 30, 2016.

In February 2016, the FASB issued ASU 2016-02, “Leases” (Topic 842), which replaces the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset for all leases with terms longer than 12 months. The guidance is effective for financial statements issued for reporting periods beginning after December 15, 2018 and interim periods within the reporting periods. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We are currently evaluating the impact of this new standard on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 establishing Accounting Standards Codification (ASC) Topic 606, “Revenue from Contracts with Customers” (ASC 606). ASC 606 establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to be entitled to receive in exchange for those goods or services and requires significantly enhanced revenue disclosures. The standard is effective for annual and interim reporting periods beginning after December 15, 2017. Accordingly, we plan to adopt this standard in the first quarter of 2018. ASC 606 allows either full retrospective or modified retrospective transition, and we currently plan to use the modified retrospective method of adoption. We are continuing to evaluate the impact of this new standard on our consolidated financial statements upon adoption. Our evaluation includes performing a detailed review of key contracts representative of our different businesses and comparing historical accounting policies and practices to the new standard. Through the third quarter of 2017, we have reviewed a material amount of our lodge and village contracts, as well as other revenue generating contracts, in our Canadian, U.S. and Australian segments. Based on our review of these contracts, we do not expect the new revenue recognition standard to have a material impact on our consolidated financial statements upon adoption.

CIVEO CORPORATION

**NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

(Continued)

3. FAIR VALUE MEASUREMENTS

Our financial instruments consist of cash and cash equivalents, receivables, payables and debt instruments. We believe that the carrying values of these instruments on the accompanying consolidated balance sheets approximate their fair values.

As of September 30, 2017 and December 31, 2016, we believe the carrying value of our floating-rate debt outstanding under our term loans and revolving credit facilities approximates fair value because the terms include short-term interest rates and exclude penalties for prepayment. We estimated the fair value of our floating-rate term loan and revolving credit facilities using significant other observable inputs, representative of a Level 2 fair value measurement, including terms and credit spreads for these loans.

During the third quarter of 2017 and the first and third quarters of 2016, we wrote down certain long-lived assets to their fair values. Our estimates of fair value required us to use significant unobservable inputs, representative of Level 3 fair value measurements, including numerous assumptions with respect to future circumstances that might directly impact each of the relevant asset groups' operations in the future and are therefore uncertain. These assumptions with respect to future circumstances included future oil, coal and natural gas prices, anticipated spending by our customers, the cost of capital, and industry and/or local market conditions. During the third quarter of 2017 and 2016, our estimates of fair value of certain undeveloped land positions in British Columbia were based on appraisals from third parties.

4. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS

Additional information regarding selected balance sheet accounts at September 30, 2017 and December 31, 2016 is presented below (in thousands):

	September 30, 2017	December 31, 2016
Accounts receivable, net:		
Trade	\$ 40,790	\$ 39,442
Unbilled revenue	21,659	16,063
Other	1,309	1,435
Total accounts receivable	63,758	56,940
Allowance for doubtful accounts	(645)	(638)
Total accounts receivable, net	<u>\$ 63,113</u>	<u>\$ 56,302</u>

	September 30, 2017	December 31, 2016
Inventories:		
Finished goods and purchased products	\$ 2,371	\$ 1,700
Work in process	882	3
Raw materials	1,604	1,409
Total inventories	<u>\$ 4,857</u>	<u>\$ 3,112</u>

During the third quarter of 2016, we recorded a \$0.9 million write-down of inventory at our modular construction and manufacturing plant in Canada, which is included in Service and other costs in our accompanying unaudited consolidated statements of operations.

CIVEO CORPORATION

NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
(Continued)

	Estimated Useful Life (in years)	September 30, 2017	December 31, 2016
Property, plant and equipment, net:			
Land		\$ 42,563	\$ 41,122
Accommodations assets	3 - 15	1,665,496	1,554,986
Buildings and leasehold improvements	5 - 20	31,015	28,104
Machinery and equipment	4 - 15	10,242	9,667
Office furniture and equipment	3 - 7	54,770	29,948
Vehicles	3 - 5	15,319	14,725
Construction in progress		3,163	23,016
Total property, plant and equipment		1,822,568	1,701,568
Accumulated depreciation		(1,066,430)	(911,858)
Total property, plant and equipment, net		<u>\$ 756,138</u>	<u>\$ 789,710</u>

	September 30, 2017	December 31, 2016
Accrued liabilities:		
Accrued compensation	\$ 16,270	\$ 13,189
Accrued taxes, other than income taxes	1,568	917
Accrued interest	15	194
Other	1,576	522
Total accrued liabilities	<u>\$ 19,429</u>	<u>\$ 14,822</u>

5. IMPAIRMENT CHARGES

2017 Impairment Charges

The following summarizes pre-tax impairment charges recorded during the nine month period ended September 30, 2017, which are included in impairment expense in our accompanying unaudited consolidated statements of operations (in thousands):

	Canada	Australia	U.S.	Total
Quarter ended September 30, 2017				
Long-lived assets	\$ 4,360	\$ --	\$ --	\$ 4,360
Total	<u>\$ 4,360</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,360</u>

Quarter ended September 30, 2017. During the third quarter of 2017, we made the decision to vacate an open camp facility in Canada and relocated the assets to a newly awarded contract for a Canadian mobile camp. We assessed the carrying value of the remaining assets to determine if they continued to be recoverable based on their estimated future cash flows. Based on the assessment, the carrying values of certain leasehold improvements were determined to not be fully recoverable, and we proceeded to compare the estimated fair value of those assets to their respective carrying values. Accordingly, the value of the remaining leasehold improvements were written down to their fair value of zero. As a result of the analysis described above, we recorded an impairment expense of \$3.2 million associated with our leased properties in Canada.

We also recorded an impairment expense of \$1.2 million related to undeveloped land positions in Canada, the fair market value of which was negatively impacted by the recent cancellation of an LNG project in British Columbia.

CIVEO CORPORATION

**NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

(Continued)

2016 Impairment Charges

The following summarizes pre-tax impairment charges recorded during the nine month period ended September 30, 2016, which are included in impairment expense in our accompanying unaudited consolidated statements of operations (in thousands):

	Canada	Australia	U.S.	Total
Quarter ended March 31, 2016				
Long-lived assets	\$ --	\$ --	\$ 8,400	\$ 8,400
Quarter ended September 30, 2016				
Long-lived assets	37,729	--	--	37,729
Total	\$ 37,729	\$ --	\$ 8,400	\$ 46,129

Quarter ended September 30, 2016. During the third quarter of 2016, we identified an indicator that certain asset groups used, or expected to be used, in conjunction with potential LNG projects in British Columbia may be impaired due to market developments occurring in the third quarter of 2016, including the delay in the final investment decision regarding an LNG project in British Columbia. We assessed the carrying value of each of the asset groups to determine if they continued to be recoverable based on their estimated future cash flows. Based on the assessment, the carrying values of the mobile camp assets and certain undeveloped land positions in British Columbia were determined to not be fully recoverable, and we proceeded to compare the estimated fair value of those assets groups to their respective carrying values. Accordingly, the mobile camp assets and undeveloped land positions were written down to their estimated fair values of \$26.6 million and \$5.6 million, respectively.

As a result of the analysis described above, we recorded an impairment expense of \$37.7 million associated with our mobile camp assets in Canada and undeveloped land positions in the British Columbia LNG market.

Quarter ended March 31, 2016. During the first quarter of 2016, we recorded an impairment expense of \$8.4 million, resulting from the impairment of fixed assets in our U.S. segment, due to a continued reduction of U.S. drilling activity in the Bakken Shale region. These fixed assets were written down to their fair value of \$3.8 million. We assessed the carrying values of the asset groups to determine if they continued to be recoverable based on estimated future cash flows. Based on the assessment, the carrying values were determined to not be recoverable, and we proceeded to compare the fair value of those assets groups to their respective carrying values.

CIVEO CORPORATION

NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS

(Continued)

6. EARNINGS PER SHARE

The calculation of earnings per share attributable to Civeo is presented below for the periods indicated (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Basic Loss per Share				
Net loss attributable to Civeo	\$ (22,331)	\$ (42,131)	\$ (58,134)	\$ (80,439)
Less: undistributed net income to participating securities	--	--	--	--
Net loss attributable to Civeo's common shareholders - basic	<u>\$ (22,331)</u>	<u>\$ (42,131)</u>	<u>\$ (58,134)</u>	<u>\$ (80,439)</u>
Weighted average common shares outstanding - basic	130,889	107,118	127,512	106,989
Basic loss per share	\$ (0.17)	\$ (0.39)	\$ (0.46)	\$ (0.75)
Diluted Loss per Share				
Net loss attributable to Civeo's common shareholders - basic	\$ (22,331)	\$ (42,131)	\$ (58,134)	\$ (80,439)
Less: undistributed net income to participating securities	--	--	--	--
Net loss attributable to Civeo's common shareholders - diluted	<u>\$ (22,331)</u>	<u>\$ (42,131)</u>	<u>\$ (58,134)</u>	<u>\$ (80,439)</u>
Weighted average common shares outstanding - basic	130,889	107,118	127,512	106,989
Effect of dilutive securities ⁽¹⁾	--	--	--	--
Weighted average common shares outstanding - diluted	130,889	107,118	127,512	106,989
Diluted loss per share	\$ (0.17)	\$ (0.39)	\$ (0.46)	\$ (0.75)

- (1) When an entity has a net loss from continuing operations, it is prohibited from including potential common shares in the computation of diluted per share amounts. Accordingly, we have utilized the basic shares outstanding amount to calculate both basic and diluted loss per share for the three and nine months ended September 30, 2017 and 2016. In the three months ended September 30, 2017 and 2016, we excluded from the calculation 2.2 million and 1.6 million share based awards, respectively, since the effect would have been anti-dilutive. In the nine months ended September 30, 2017 and 2016, we excluded from the calculation 2.1 million and 1.5 million share based awards, respectively, since the effect would have been anti-dilutive.

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7. DEBT

As of September 30, 2017 and December 31, 2016, long-term debt consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
U.S. term loan, which matures on May 28, 2019; weighted average interest rate of 4.3% for the nine-month period ended September 30, 2017	\$ 24,375	\$ 24,375
Canadian term loan, which matures on May 28, 2019; 1.25% of aggregate principal repayable per quarter; weighted average interest rate of 4.3% for the nine-month period ended September 30, 2017	303,405	293,763
U.S. revolving credit facility, which matures on May 28, 2019, weighted average interest rate of 6.3% for the nine-month period ended September 30, 2017	--	--
Canadian revolving credit facility, which matures on May 28, 2019, weighted average interest rate of 5.1% for the nine-month period ended September 30, 2017	--	23,089
Canadian revolving credit facility, which matures on May 28, 2019, weighted average interest rate of 5.1% for the nine-month period ended September 30, 2017	--	9,533
Australian revolving credit facility, which matures on May 28, 2019, weighted average interest rate of 5.0% for the nine-month period ended September 30, 2017	--	6,507
	<u>327,780</u>	<u>357,267</u>
Less: Unamortized debt issuance costs	3,587	3,996
Total debt	<u>324,193</u>	<u>353,271</u>
Less: Current portion of long-term debt, including unamortized debt issuance costs, net	16,671	15,471
Long-term debt, less current maturities	<u>\$ 307,522</u>	<u>\$ 337,800</u>

We did not have any capitalized interest to net against interest expense for either of the three-month or nine-month periods ended September 30, 2017 or 2016.

Amended Credit Agreement

As of December 31, 2016, our Credit Agreement, as then amended to date, provided for: (i) a \$350.0 million, revolving credit facility scheduled to mature on May 28, 2019, allocated as follows: (A) a \$50.0 million senior secured revolving credit facility in favor of certain of our U.S. subsidiaries, as borrowers; (B) a \$100.0 million senior secured revolving credit facility in favor of Civeo and certain of our Canadian subsidiaries, as borrowers; (C) a \$100.0 million senior secured revolving credit facility in favor of Civeo, as borrower; and (D) a \$100.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower; and (ii) a \$350.0 million term loan facility scheduled to mature on May 28, 2019 in favor of Civeo.

On February 17, 2017, the third amendment to the Credit Agreement (as amended by the third amendment, the Amended Credit Agreement) became effective, which:

- provided for the reduction by \$75 million of the aggregate revolving loan commitments under the Amended Credit Agreement, to a maximum principal amount of \$275 million, allocated as follows: (1) a \$40.0 million senior secured revolving credit facility in favor of certain of our U.S. subsidiaries, as borrowers; (2) a \$90.0 million senior secured revolving credit facility in favor of Civeo and certain of our Canadian subsidiaries, as borrowers; (3) a \$60.0 million senior secured revolving credit facility in favor of Civeo, as borrower; and (4) an \$85.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower;
- established one additional level to the total leverage-based grid such that the interest rates for the loans range from the London Interbank Offered Rate (LIBOR) plus 2.25% to LIBOR plus 5.50%, and increased the undrawn commitment fee from a range of 0.51% to 1.13% to a range of 0.51% to 1.24% based on total leverage;

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- adjusted the maximum leverage ratio financial covenant for the relevant periods, as follows:

<u>Period Ended</u>	<u>Maximum Leverage Ratio</u>
September 30, 2017	5.85 : 1.00
December 31, 2017	5.85 : 1.00
March 31, 2018	5.85 : 1.00
June 30, 2018	5.85 : 1.00
September 30, 2018	5.85 : 1.00
December 31, 2018	5.50 : 1.00
March 31, 2019 & thereafter	5.25 : 1.00

; and

- provided for other technical changes and amendments to the Amended Credit Agreement.

U.S. dollar amounts outstanding under the facilities provided by the Amended Credit Agreement bear interest at a variable rate equal to LIBOR plus a margin of 2.25% to 5.50%, or a base rate plus 1.25% to 4.50%, in each case based on a ratio of our total leverage to EBITDA (as defined in the Amended Credit Agreement). Canadian dollar amounts outstanding bear interest at a variable rate equal to the Canadian Dollar Offered Rate plus a margin of 2.25% to 5.50%, or a base rate plus a margin of 1.25% to 4.50%, in each case based on a ratio of our consolidated total leverage to EBITDA. Australian dollar amounts outstanding under the Amended Credit Facility bear interest at a variable rate equal to the Bank Bill Swap Bid Rate plus a margin of 2.25% to 5.50%, based on a ratio of our consolidated total leverage to EBITDA.

The Amended Credit Agreement contains customary affirmative and negative covenants that, among other things, limit or restrict: (i) subsidiary indebtedness, liens and fundamental changes; (ii) asset sales; (iii) acquisitions of margin stock; (iv) specified acquisitions; (v) certain restrictive agreements; (vi) transactions with affiliates; and (vii) investments and other restricted payments, including dividends and other distributions. In addition, we must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA to consolidated interest expense, of at least 3.0 to 1.0 and our maximum leverage ratio, defined as the ratio of total debt to consolidated EBITDA, of no greater than 5.85 to 1.0 (as of September 30, 2017). As noted above, the permitted maximum leverage ratio changes over time. Each of the factors considered in the calculations of these ratios are defined in the Amended Credit Agreement. EBITDA and consolidated interest, as defined, exclude goodwill and asset impairments, debt discount amortization and other non-cash charges. We were in compliance with all of these covenants as of September 30, 2017.

Borrowings under the Amended Credit Agreement are secured by a pledge of substantially all of our assets and the assets of our subsidiaries. The obligations under the Amended Credit Agreement are guaranteed by our significant subsidiaries. There are 15 lenders that are parties to the Amended Credit Agreement, with commitments ranging from \$1.1 million to \$122.2 million.

8. INCOME TAXES

Our operations are conducted through various subsidiaries in a number of countries throughout the world. We have provided for income taxes based upon the tax laws and rates in the countries in which operations are conducted and income is earned.

We operate primarily in three jurisdictions, Canada, Australia and the U.S., where statutory tax rates range from 27% to 35%. Our effective tax rate will vary from period to period based on changes in earnings mix between these different jurisdictions.

We compute our quarterly taxes under the effective tax rate method by applying an anticipated annual effective rate to our year-to-date income, except for significant unusual or extraordinary transactions. As Australia and the U.S. are loss jurisdictions for tax accounting purposes, Australia and the U.S. have been removed from the annual effective tax rate computation for purposes of computing the interim tax provision. Income taxes for any significant and unusual or extraordinary transactions are computed and recorded in the period that the specific transaction occurs.

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Our income tax benefit for the nine months ended September 30, 2017 totaled \$9.9 million, or 14.6% of pretax loss, compared to a benefit of \$17.2 million, or 17.7% of pretax loss, for the nine months ended September 30, 2016. Our income tax benefit for the three months ended September 30, 2017 totaled \$4.0 million, or 15.3% of pretax loss, compared to a benefit of \$11.7 million, or 21.8% of pretax loss, for the three months ended September 30, 2016. Our effective tax rate for the nine months ended September 30, 2017 and 2016 was reduced approximately 12% and 10%, respectively, by the exclusion of Australia and U.S. for purposes of computing the interim tax provision since they are loss jurisdictions for tax accounting purposes.

9. COMMITMENTS AND CONTINGENCIES

We are a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, products, employees and other matters, including warranty and product liability claims as a result of our products or operations. Although we can give no assurance about the outcome of pending legal and administrative proceedings and the effect such outcomes may have on us, management believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Our accumulated other comprehensive loss decreased \$38.4 million from \$362.9 million at December 31, 2016 to \$324.5 million at September 30, 2017, as a result of foreign currency exchange rate fluctuations. Changes in other comprehensive loss during the first nine months of 2017 were primarily driven by the Australian dollar and Canadian dollar increasing in value compared to the U.S. dollar. Excluding intercompany balances, our Canadian dollar and Australian dollar functional currency net assets totaled approximately C\$0.2 billion and A\$0.5 billion, respectively, at September 30, 2017.

11. SHARE BASED COMPENSATION

Our employees and non-employee directors participate in the Amended and Restated 2014 Equity Participation Plan of Civeo Corporation (the Civeo Plan). The Civeo Plan authorizes our Board of Directors and the Compensation Committee of our Board of Directors to approve grants of options, awards of restricted shares, performance awards and dividend equivalents, awards of deferred shares, and share payments to our employees and non-employee directors. No more than 14.0 million Civeo common shares may be awarded under the Civeo Plan.

Outstanding Awards

Options. Compensation expense associated with options recognized in both the three month periods ended September 30, 2017 and 2016 totaled less than \$0.1 million. Compensation expense associated with options recognized in both the nine month periods ended September 30, 2017 and 2016 totaled less than \$0.1 million. At September 30, 2017, unrecognized compensation cost related to options was less than \$0.1 million, which is expected to be recognized over a weighted average period of 0.4 years.

Restricted Share / Deferred Share Awards. On February 21, 2017, we granted 1,322,934 restricted share awards and deferred share awards under the Civeo Plan, which vest in three equal annual installments beginning on February 21, 2018. On March 21, 2017, we granted 47,529 restricted share awards to one of our non-employee directors upon his appointment to our Board of Directors, which vest in their entirety on March 21, 2018. On May 11, 2017, we granted 243,190 restricted share awards to our other non-employee directors, which vest in their entirety on May 11, 2018.

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Compensation expense associated with restricted share awards and deferred share awards recognized in the three month periods ended September 30, 2017 and 2016 totaled \$0.9 million and \$1.0 million, respectively. Compensation expense associated with restricted share awards and deferred share awards recognized in the nine month periods ended September 30, 2017 and 2016 totaled \$3.2 million and \$3.0 million, respectively. The total fair value of restricted share awards and deferred share awards that vested during each of the three months ended September 30, 2017 and 2016 was de minimis. The total fair value of restricted share awards and deferred share awards that vested during the nine months ended September 30, 2017 and 2016 was \$2.4 million and \$0.6 million, respectively.

At September 30, 2017, unrecognized compensation cost related to restricted share awards and deferred share awards was \$5.5 million, which is expected to be recognized over a weighted average period of 1.9 years.

Phantom Share Awards. On February 21, 2017, we granted 351,022 phantom share awards under the Civeo Plan, which vest in three equal annual installments beginning on February 21, 2018. We also granted 163,617 phantom share awards under the Canadian Long-Term Incentive Plan, which vest in three equal annual installments beginning on February 21, 2018.

During the three month periods ended September 30, 2017 and 2016, we recognized compensation expense associated with phantom shares totaling \$2.4 million and a de minimis amount, respectively. During the nine month periods ended September 30, 2017 and 2016, we recognized compensation expense associated with phantom shares totaling \$6.6 million and \$1.8 million, respectively. At September 30, 2017, unrecognized compensation cost related to phantom shares was \$9.0 million, as remeasured at September 30, 2017, which is expected to be recognized over a weighted average period of 1.5 years.

Performance Awards. On February 21, 2017, we granted 762,497 performance awards under the Civeo Plan, which cliff vest in three years on February 21, 2020. These awards will be earned in amounts between 0% and 200% of the participant's target performance share award, based on the payout percentage associated with Civeo's relative total shareholder return rank among a peer group that includes 14 other companies.

During the three month periods ended September 30, 2017 and 2016, we recognized compensation expense associated with performance awards totaling \$0.8 million and \$0.5 million, respectively. During the nine month periods ended September 30, 2017 and 2016, we recognized compensation expense associated with performance awards totaling \$2.3 million and \$1.4 million, respectively. At September 30, 2017, unrecognized compensation cost related to performance shares was \$5.9 million, which is expected to be recognized over a weighted average period of 1.9 years.

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12. SEGMENT AND RELATED INFORMATION

In accordance with current accounting standards regarding disclosures about segments of an enterprise and related information, we have identified the following reportable segments: Canada, Australia and U.S., which represent our strategic focus on workforce accommodations.

Financial information by business segment for each of the three and nine months ended September 30, 2017 and 2016 is summarized in the following table (in thousands):

	Total Revenues	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
Three months ended September 30, 2017					
Canada	\$ 63,832	\$ 18,402	\$ (11,691)	\$ 679	\$ 579,593
Australia	27,541	11,561	(3,667)	756	391,520
United States	6,116	1,165	(3,941)	422	31,161
Corporate and eliminations	--	1,572	(2,045)	126	(72,524)
Total	<u>\$ 97,489</u>	<u>\$ 32,700</u>	<u>\$ (21,344)</u>	<u>\$ 1,983</u>	<u>\$ 929,750</u>
Three months ended September 30, 2016					
Canada	\$ 73,539	\$ 20,702	\$ (44,742)	\$ 1,085	\$ 576,945
Australia	27,679	11,736	(1,918)	2,132	409,982
United States	3,020	1,274	(3,271)	--	31,926
Corporate and eliminations	--	9	973	2,136	(40,802)
Total	<u>\$ 104,238</u>	<u>\$ 33,721</u>	<u>\$ (48,958)</u>	<u>\$ 5,353</u>	<u>\$ 978,051</u>
Nine months ended September 30, 2017					
Canada	\$ 182,006	\$ 54,374	\$ (26,283)	\$ 2,195	\$ 579,593
Australia	83,164	34,614	(8,284)	2,211	391,520
United States	15,758	3,549	(10,347)	1,058	31,161
Corporate and eliminations	--	4,546	(7,529)	2,556	(72,524)
Total	<u>\$ 280,928</u>	<u>\$ 97,083</u>	<u>\$ (52,443)</u>	<u>\$ 8,020</u>	<u>\$ 929,750</u>
Nine months ended September 30, 2016					
Canada	\$ 216,168	\$ 62,494	\$ (53,758)	\$ 2,578	\$ 576,945
Australia	80,694	34,348	(4,454)	3,833	409,982
United States	9,447	4,462	(20,662)	--	31,926
Corporate and eliminations	--	(860)	(2,295)	8,835	(40,802)
Total	<u>\$ 306,309</u>	<u>\$ 100,444</u>	<u>\$ (81,169)</u>	<u>\$ 15,246</u>	<u>\$ 978,051</u>

Cautionary Statement Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. The forward-looking statements can be identified by the use of forward-looking terminology including “may,” “expect,” “anticipate,” “estimate,” “continue,” “believe” or other similar words. The forward-looking statements in this report include, but are not limited to, the statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” relating to our expectations about the macroeconomic environment and industry conditions, including factors expected to impact supply and demand, as well as our expectations about capital expenditures in 2017 and beliefs with respect to liquidity needs. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of important factors. For a discussion of known material factors that could affect our results, please refer to “Risk Factors,” “Forward-Looking Statements,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2016 and our subsequent SEC filings. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Our management believes these forward-looking statements are reasonable. However, you should not place undue reliance on these forward-looking statements, which are based only on our current expectations and are not guarantees of future performance. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise any of them in light of new information, future events or otherwise, except to the extent required by applicable law.

In addition, in certain places in this quarterly report, we refer to reports published by third parties that purport to describe trends or developments in the energy industry. We do so for the convenience of our shareholders and in an effort to provide information available in the market that will assist our investors in a better understanding of the market environment in which we operate. However, we specifically disclaim any responsibility for the accuracy and completeness of such information and undertake no obligation to update such information.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis together with our consolidated financial statements and the notes to those statements included elsewhere in this quarterly report on Form 10-Q.

Macroeconomic Environment

We provide workforce accommodations to the natural resource industry in Canada, Australia and the U.S. Demand for our services can be attributed to two phases of our customers’ projects: (1) the development or construction phase; and (2) the operations or production phase. Historically, initial demand for our services has been driven by our customers’ capital spending programs related to the construction and development of oil sands and coal mines and associated infrastructure as well as the exploration for oil and natural gas. Long-term demand for our services has been driven by continued development and expansion of natural resource production and operation of oil sands and mining facilities. In general, industry capital spending programs are based on the outlook for commodity prices, economic growth and estimates of resource production. As a result, demand for our products and services is largely sensitive to expected commodity prices, principally related to crude oil and metallurgical (met) coal.

In Canada, Western Canadian Select (WCS) crude is the benchmark price for our oil sands accommodations customers. Pricing for WCS is driven by several factors, including the underlying price for West Texas Intermediate (WTI) crude and the availability of transportation infrastructure. Historically, WCS has traded at a discount to WTI, creating a “WCS Differential,” due to transportation costs and limited capacity to move Canadian heavy oil production to refineries, primarily along the U.S. Gulf Coast. The WCS Differential has varied depending on the extent of transportation capacity availability.

During the first quarter of 2016, global oil prices dropped to their lowest levels in over ten years due to concerns over global oil demand, global crude inventory levels, worldwide economic growth and price cutting by major oil producing countries, such as Saudi Arabia. Increasing global supply, including increased U.S. shale oil production, also negatively impacted pricing. With falling WTI oil prices, WCS also fell. Prices began to increase in March 2016, and continued to increase through the first quarter of 2017. After falling slightly in the second quarter of 2017, prices began to increase towards the end of the third quarter of 2017. WCS prices in the third quarter of 2017 averaged \$37.72 per barrel compared to a low of \$20.26 in the first quarter of 2016 and a high of \$83.78 in the second quarter of 2014. The WCS Differential decreased from \$16.10 per barrel at the end of the fourth quarter of 2016 to \$11.25 per barrel at the end of the third quarter of 2017. As of October 23, 2017, the WTI price was \$51.72 and the WCS price was \$39.40, resulting in a WCS Differential of \$12.32.

There remains a risk that prices for Canadian oil sands crude oil related products could deteriorate or remain at current depressed levels for an extended period of time, and the discount between WCS crude prices and WTI crude prices could widen. The depressed price levels through the first quarter of 2016 negatively impacted exploration, development, maintenance and production spending and activity by Canadian operators and, therefore, demand for our services in late 2014 and throughout 2015 and 2016. Although we have seen an uplift in oil prices in late 2016 and through 2017, we are not expecting significant improvement in customer activity in the near-term, as we anticipate that our customers' capital spending will generally lag increased oil prices by nine to 12 months. The current outlook for expansionary projects in Canada is primarily related to proposed pipeline and insitu oil sands projects. However, continued uncertainty and commodity price volatility and regulatory complications could cause our Canadian oil sands and pipeline customers to delay expansionary and maintenance spending and defer additional investments in their oil sands assets.

Our U.S. business is also primarily tied to oil prices, specifically oil shale drilling and completion activity, and therefore WTI oil prices, in the Bakken, Rockies and Permian basins. With the recovery in oil prices in late 2016 and into 2017, coupled with ample capital availability for U.S. E&P companies, oil drilling and completion activity in the U.S. has significantly increased over the past year. The U.S. oil rig count has increased from its low of 316 rigs in May of 2016 to over 700 rigs active in the third quarter of 2017. As of October 20, 2017, there were 736 active oil rigs in the U.S. (as measured by Bakerhughes.com). U.S. oil drilling and completion activity will continue to be dependent on WTI oil prices near or above \$50 per barrel and sufficient capital to support E&P drilling and completion plans.

In Australia, approximately 80% of our rooms are located in the Bowen Basin and primarily serve met coal mines in that region. Met coal pricing and production growth in the Bowen Basin region is predominantly influenced by the levels of global steel production, which increased by 5.6% during the first nine months of 2017 compared to the corresponding period in 2016. On March 28, 2017, a Category 4 cyclone made landfall on the coast of Queensland, Australia, temporarily shutting down the majority of Bowen Basin coal export rail infrastructure, causing another spike in met coal spot prices from \$152 per metric tonne on March 31, 2017 to over \$250 per metric tonne. As of October 23, 2017, met coal spot prices are at \$178 per metric tonne and benchmark contract prices for the fourth quarter of 2017 paid to Australian metallurgical coal producers by Japanese steel producers have not settled. Following cyclone Debbie, the market began to shift away from quarterly benchmark pricing to an index linked approach as a pricing mechanism. The changes in met coal pricing this year have not led our customers to approve any significant new projects. We expect that customers will look for a period of sustained higher prices before we see any significant impact on customer activity levels and the demand for our accommodations. Long-term demand for steel is expected to be driven by increased steel consumption per capita in developing economies, such as China and India, whose current consumption per capita is a fraction of developed countries. Our customers continue to actively implement cost, productivity and efficiency measures to drive down their cost base.

Recent WTI crude, WCS crude and met coal pricing trends are as follows:

Quarter ended	Average Price ⁽¹⁾		
	WTI Crude (per bbl)	WCS Crude (per bbl)	Hard Coking Coal (Met Coal) (per tonne)
Fourth Quarter through 10/23/2017	\$ 50.95	\$ 39.63	\$ N/A
9/30/2017	48.16	37.72	170.00
6/30/2017	48.11	38.20	193.50
3/31/2017	51.70	38.09	285.00
12/31/2016	49.16	34.34	200.00
9/30/2016	44.88	30.67	92.50
6/30/2016	45.53	32.84	84.00
3/31/2016	33.41	20.26	81.00
12/31/2015	42.02	27.82	89.00
9/30/2015	46.48	31.54	93.00
6/30/2015	57.64	48.09	109.50
3/31/2015	48.49	35.03	117.00
12/31/2014	73.21	57.75	119.00
9/30/2014	97.60	78.69	120.00

(1) Source: WTI crude prices are from U.S. Energy Information Administration (EIA), and WCS crude prices and Seaborne hard coking coal contract prices are from Bloomberg.

Overview

As noted above, demand for our services is primarily tied to the outlook for crude oil and met coal prices. Other factors that can affect our business and financial results include the general global economic environment and regulatory changes in Canada, Australia, the U.S. and other markets.

Our business is predominantly located in northern Alberta, Canada and Queensland, Australia, and we derive most of our business from resource companies who are developing and producing oil sands and met coal resources and, to a lesser extent, other hydrocarbon and mineral resources. More than three-fourths of our revenue is generated by our large-scale lodge and village facilities. Where traditional accommodations and infrastructure are insufficient, inaccessible or cost ineffective, our lodge and village facilities provide comprehensive accommodations services similar to those found in an urban hotel. We typically contract our facilities to our customers on a fee-per-day basis that covers lodging and meals and is based on the duration of customer needs, which can range from several weeks to several years.

Generally, our customers are making multi-billion dollar investments to develop their prospects, which have estimated reserve lives ranging from ten years to in excess of 30 years. Consequently, these investments are dependent on those customers' long-term views of commodity demand and prices.

In response to decreases in crude oil prices beginning in late 2014, many of our customers in Canada curtailed their operations and spending, and most major oil sands mining operators are continuing to seek to reduce their costs and limit capital spending, thereby limiting the demand for accommodations of the kind we provide. In Australia, approximately 80% of our rooms are located in the Bowen Basin and primarily serve met coal mines in that region, where our customers continue to implement operational efficiency measures, in order to drive down their cost base.

In recent months, however, several catalysts have emerged that we believe could have favorable intermediate to long-term implications for our core end markets. Since the announcement by OPEC in late November 2016 to cut production quotas and the subsequent rise in oil prices and oil price expectations, certain operators with steam-assisted gravity drainage operations in the Canadian oil sands have increased capital spending in 2017. In addition, recent regulatory approvals of several major pipeline projects have the potential to both drive incremental demand for mobile accommodations assets and to improve take-away capacity for Canadian oil sands producers over the longer term. Additionally, we believe that the Keystone XL pipeline in the U.S., if constructed, would be a positive catalyst for Canadian oil sands producers, as it would bolster confidence in future take-away capacity from the region to U.S. Gulf Coast refineries. In Australia, we believe prices are currently at a level that may contribute to increased activity over the long term if our customers view these price levels as sustainable.

While we believe that these macroeconomic developments are positive for our customers and for the underlying demand for our accommodations services, we do not expect an immediate improvement in our business and are expecting our full year 2017 revenues and EBITDA to be materially lower compared to 2016. Accordingly, we plan to focus on enhancing the quality of our operations, maintaining financial discipline and proactively managing our business as market conditions continue to evolve.

We began expansion of our room count in Kitimat, British Columbia during the second half of 2015 to support potential liquefied natural gas (LNG) projects on the west coast of British Columbia. We were awarded a contract with LNG Canada (LNGC) for the provision of open lodge rooms and associated services that ran through September 2017. To support this contract, we developed a new accommodations facility, named Sitka Lodge, which includes private washrooms, recreational facilities and other amenities. This lodge currently has 436 rooms, with the potential to expand to serve future accommodations demand in the region.

In addition, we were awarded a contract with LNGC to construct a 4,500 person workforce accommodation center (Cedar Valley Lodge) for a proposed liquefaction and export facility in Kitimat, British Columbia. Construction of Cedar Valley Lodge will not commence until LNGC's joint venture participants have made a positive final investment decision (FID). The FID was originally planned for the end of 2016. However, FID has been delayed. Recent public statements by LNGC and news reports indicate that FID for LNGC is expected in the second half of 2018. Should the project ultimately move forward, British Columbia LNG activity could become a material driver of future activity for our Sitka Lodge, as well as for our mobile fleet assets, which are well suited for the related pipeline construction activity.

However, there can be no assurance that LNGC's joint venture participants will reach a positive FID or that our contracts with LNGC will be extended. Further, on July 25, 2017, Petronas and its partners announced the cancellation of their Pacific NorthWest ("PNW") liquefied natural gas project they had planned to build in Port Edward, British Columbia. If the LNGC project, and other potential projects in the area, do not move forward, our future results of operations and our existing long-lived assets in Canada, including our Sitka Lodge, may be negatively affected, and we may be required to record material impairment charges equal to the excess of the carrying values of these assets over their fair values. As of September 30, 2017, the net book value of long-lived assets that are currently supporting, or could be used to support, potential LNG projects in British Columbia was approximately \$75 million.

As a result of the PNW cancellation, we identified an indicator that certain asset groups used, or expected to be used, in conjunction with potential LNG projects in British Columbia may be impaired. As a result, we assessed the carrying values of each of the asset groups to determine if they continued to be recoverable based on their estimated future cash flows. Based on the assessment, the carrying values of certain undeveloped land positions in British Columbia were determined to not be recoverable, and an impairment charge totaling \$1.2 million was recorded in the third quarter of 2017.

In estimating future cash flows, we made numerous assumptions with respect to future circumstances that might directly impact each of the asset groups' operations in the future and are therefore uncertain. These assumptions with respect to future circumstances included future oil, coal and natural gas prices, anticipated customer spending, and industry and/or local market conditions. These assumptions represented our best judgment based on the current facts and circumstances. However, different assumptions could result in a determination that the carrying values of additional asset groups are no longer recoverable based on estimated future cash flows. Our estimate of fair value was primarily calculated using the income approach, which derives a present value of the asset group based on the asset groups estimated future cash flows. We discounted our estimated future cash flows using a long-term weighted average cost of capital based on our estimate of investment returns required by a market participant.

Exchange rates between the U.S. dollar and each of the Canadian dollar and the Australian dollar influence our U.S. dollar reported financial results. Our business has historically derived the vast majority of its revenues and operating income in Canada and Australia. These revenues and profits are translated into U.S. dollars for U.S. Generally Accepted Accounting Principles (U.S. GAAP) financial reporting purposes. The Canadian dollar was valued at an average exchange rate of U.S. \$0.80 for the third quarter of 2017, compared to U.S. \$0.77 for the third quarter of 2016, an increase of approximately 4%. The Canadian dollar was valued at an average exchange rate of U.S. \$0.77 for the first nine months of 2017 compared to U.S. \$0.76 for the first nine months of 2016, an increase of approximately 1%. The Canadian dollar was valued at an exchange rate of \$0.80 on September 30, 2017 and \$0.74 on December 31, 2016. The Australian dollar was valued at an average exchange rate of U.S. \$0.79 for the third quarter of 2017 compared to U.S. \$0.76 for the third quarter of 2016, an increase of approximately 4%. The Australian dollar was valued at an average exchange rate of U.S. \$0.77 for the first nine months of 2017 compared to U.S. \$0.74 for the first nine months of 2016, an increase of approximately 3%. The Australian dollar was valued at an exchange rate of \$0.78 on September 30, 2017 and \$0.72 on December 31, 2016. These fluctuations of the Canadian and Australian dollars have had and will continue to have an impact on the translation of earnings generated from our Canadian and Australian subsidiaries and, therefore, our financial results.

We continue to monitor the global economy, the demand for crude oil, met coal and natural gas and the resultant impact on the capital spending plans of our customers in order to plan our business activities. We currently expect that our 2017 capital expenditures, exclusive of any business acquisitions, will total approximately \$12 million to \$15 million, compared to 2016 capital expenditures of \$19.8 million. Please see “Liquidity and Capital Resources” below for further discussion of 2017 capital expenditures.

During February 2017, we completed a public offering of 23 million common shares. We used a portion of the net proceeds of \$64.8 million from the offering to repay amounts outstanding under several revolving credit facilities provided by our primary credit agreement (the Credit Agreement) and are using the remaining proceeds for general corporate purposes.

Results of Operations

Unless otherwise indicated, discussion of results for the three- and nine-month periods ended September 30, 2017, is based on a comparison to the corresponding periods of 2016.

Results of Operations – Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

	Three Months Ended September 30,		
	2017	2016	Change
	(\$ in thousands)		
Revenues			
Canada	\$ 63,832	\$ 73,539	\$ (9,707)
Australia	27,541	27,679	(138)
United States and other	6,116	3,020	3,096
Total revenues	97,489	104,238	(6,749)
Costs and expenses			
Cost of sales and services			
Canada	43,331	50,571	(7,240)
Australia	14,451	13,441	1,010
United States and other	7,745	3,952	3,793
Total cost of sales and services	65,527	67,964	(2,437)
Selling, general and administrative expenses	15,871	13,644	2,227
Depreciation and amortization expense	32,700	33,721	(1,021)
Impairment expense	4,360	37,729	(33,369)
Other operating expense	375	138	237
Total costs and expenses	118,833	153,196	(34,363)
Operating loss	(21,344)	(48,958)	27,614
Interest expense and income, net	(5,392)	(6,046)	654
Other income	517	1,338	(821)
Loss before income taxes	(26,219)	(53,666)	27,447
Income tax benefit	4,011	11,697	(7,686)
Net loss	(22,208)	(41,969)	19,761
Less: Net income attributable to noncontrolling interest	123	162	(39)
Net loss attributable to Civeo	\$ (22,331)	\$ (42,131)	\$ 19,800

We reported net loss attributable to Civeo for the quarter ended September 30, 2017 of \$22.3 million, or \$0.17 per diluted share. As further discussed below, net loss included a \$4.4 million pre-tax loss (\$3.2 million after-tax, or \$0.02 per diluted share) resulting from the impairment of fixed assets included in Impairment expense below.

We reported net loss attributable to Civeo for the quarter ended September 30, 2016 of \$42.1 million, or \$0.39 per diluted share. As further discussed below, net loss included a \$37.7 million pre-tax loss (\$27.5 million after-tax, or \$0.26 per diluted share) resulting from the impairment of fixed assets included in Impairment expense below.

Revenues. Consolidated revenues decreased \$6.7 million, or 6%, in the third quarter of 2017 compared to the third quarter of 2016. This decline was primarily due to decreases in Canada resulting from lower rates and lower mobile, open camp and product activity and decreases in Australia due to reduced take-or-pay revenues on expired contracts at our villages in the Bowen Basin. This was partially offset by increases in the U.S., due to overall increased activity, as well as stronger Canadian and Australian dollars relative to the U.S. dollar in the third quarter of 2017 compared to the third quarter of 2016. Please see the discussion of segment results of operations below for further information.

Cost of Sales and Services. Our consolidated cost of sales decreased \$2.4 million, or 4%, in the third quarter of 2017 compared to the third quarter of 2016, primarily due to decreases in Canada resulting from lower mobile, open camp and product activity. This was partially offset by increases in the U.S., due to overall increased activity, as well as stronger Canadian and Australian dollars relative to the U.S. dollar in the third quarter of 2017 compared to the third quarter of 2016. Please see the discussion of segment results of operations below for further information.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expense increased \$2.2 million, or 16%, in the third quarter of 2017 compared to the third quarter of 2016. This increase was primarily due to higher share based compensation expense associated with phantom share awards and higher incentive compensation costs. The increase in share based compensation was due to the increase in our share price during the period, which is used to remeasure the phantom share awards at each reporting date. These items were partially offset by reduced compensation as a result of workforce reductions in 2016, lower professional fees when compared to 2016 and other administrative cost reductions.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased \$1.0 million, or 3%, in the third quarter of 2017 compared to the third quarter of 2016, primarily due to reduced depreciation expense resulting from impairments recorded in 2016, partially offset by increased depreciation expense associated with an enterprise information system placed in service in 2017.

Impairment Expense. Impairment expense of \$4.4 million in the third quarter of 2017 consisted of leasehold improvements and undeveloped land positions in our Canadian segment. Impairment expense of \$37.7 million in the third quarter of 2016 consisted of pre-tax impairment losses of \$37.7 million related to mobile camp assets and certain undeveloped land positions in the British Columbia LNG market in our Canadian segment. Please see Note 5 - Impairment Charges to the notes to the unaudited consolidated financial statements of this quarterly report for further discussion.

Operating Loss. Consolidated operating loss decreased by \$27.6 million, or 56%, in the third quarter of 2017 compared to the third quarter of 2016, primarily due to lower impairment expense and lower contracted rates in Canada.

Interest Expense and Interest Income, net. Net interest expense decreased by \$0.7 million, or 11%, in the third quarter of 2017 compared to the third quarter of 2016, primarily due to lower amounts outstanding under our revolving credit facilities in the third quarter of 2017 as compared to the third quarter of 2016, partially offset by higher interest rates on our term loan borrowings.

Other Income. Other income decreased by \$0.8 million, or 61%, in the third quarter of 2017 compared to the third quarter of 2016, primarily due to income recorded in the third quarter of 2016 from an unconsolidated investment related to the engineering and planning work performed for LNGC's accommodation center in Kitimat, which was not repeated in the third quarter of 2017.

Income Tax Benefit. Our income tax benefit for the three months ended September 30, 2017 totaled \$4.0 million, or 15.3% of pretax loss, compared to a benefit of \$11.7 million, or 21.8% of pretax loss, for the three months ended September 30, 2016. Our effective tax rates in 2017 and 2016 were reduced by the exclusion of Australia and U.S. for purposes of computing the interim tax provision since they are loss jurisdictions for tax accounting purposes. In addition, the effective tax rates for the three months ended September 30, 2017 and 2016 were impacted by changes in annual effective rates, as required under ASC 740-270, Accounting for Income Taxes, the quarterly tax provision is based on our current estimate of the annual effective tax rate less the prior quarter's year-to-date tax provision.

Other Comprehensive Income (Loss). Other comprehensive income increased \$4.7 million in the third quarter of 2017 compared to the third quarter of 2016, primarily as a result of foreign currency translation adjustments due to changes in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar exchange rate compared to the U.S. dollar increased 4% from June 30, 2017 to September 30, 2017 compared to a 1% decrease from June 30, 2016 to September 30, 2016. The Australian dollar exchange rate compared to the U.S. dollar increased 2% from June 30, 2017 to September 30, 2017 compared to a 3% increase from June 30, 2016 to September 30, 2016.

Segment Results of Operations – Canadian Segment

	Three Months Ended September 30,		
	2017	2016	Change
Revenues (\$ in thousands)			
Lodge revenue (1)	\$ 59,484	\$ 61,712	\$ (2,228)
Mobile, open camp and product revenue	4,348	11,827	(7,479)
Total revenues	\$ 63,832	\$ 73,539	\$ (9,707)
Cost of sales and services (\$ in thousands)	\$ 43,331	\$ 50,571	\$ (7,240)
Gross margin as a % of revenues	32.1%	31.2%	0.9%
Average available lodge rooms (2)	14,720	14,670	50
Rentable rooms for lodges (3)	8,698	10,588	(1,890)
Average daily rate for lodges (4)	\$ 92	\$ 100	\$ (8)
Occupancy in lodges (5)	81%	64%	17%
Canadian dollar to U.S. dollar	\$ 0.799	\$ 0.766	\$ 0.033

- (1) Includes revenue related to rooms as well as the fees associated with catering, laundry and other services including facilities management.
- (2) Average available rooms include rooms that are utilized for our personnel.
- (3) Rentable rooms exclude rooms that are utilized for our personnel and out-of-service rooms.
- (4) Average daily rate is based on rentable rooms and lodge/village revenue.
- (5) Occupancy represents total billed days divided by rentable days. Rentable days excludes staff rooms and out-of-service rooms. The increase in occupancy percentage for the three months ended September 30, 2017 compared to the same period in 2016 is largely due to the reduction in the number of rentable rooms driven primarily by the use of more rooms during the Fort McMurray fires in 2016.

Our Canadian segment reported revenues in the third quarter of 2017 that were \$9.7 million, or 13%, lower than the third quarter of 2016. The strengthening of the average exchange rates for the Canadian dollar relative to the U.S. dollar by 4% in the third quarter of 2017 compared to the third quarter of 2016 resulted in a \$2.7 million period-over-period increase in revenues. Excluding the impact of the stronger Canadian exchange rates, the segment experienced an 8% decline in lodge revenues. This decline was driven primarily by lower rates. In 2016, more rentable rooms were utilized due to the Fort McMurray fires. Finally, mobile, open camp and product revenues declined due to overall lower activity levels.

Our Canadian segment cost of sales and services decreased \$7.2 million, or 14%, in the third quarter of 2017 compared to the third quarter of 2016 primarily due to the decline in mobile, open camp and product activity, as well as a focus on cost containment and operational efficiencies. This was partially offset by increased warranty related costs resulting from a product sale.

Our Canadian segment gross margin as a percentage of revenues increased from 31% in the third quarter of 2016 to 32% in the third quarter of 2017. This increase was driven by lower costs due to a focus on cost containment and operational efficiencies.

Segment Results of Operations – Australian Segment

	Three Months Ended September 30,		
	2017	2016	Change
Revenues (\$ in thousands)			
Village revenue (1)	\$ 27,541	\$ 27,679	\$ (138)
Total revenues	27,541	27,679	(138)
Cost of sales (\$ in thousands)	\$ 14,451	\$ 13,441	\$ 1,010
Gross margin as a % of revenues	47.5%	51.4%	(3.9)%
Average available village rooms (2)	9,359	9,344	15
Rentable rooms for villages (3)	8,725	8,675	50
Average daily rate for villages (4)	\$ 81	\$ 81	\$ --
Occupancy in Villages (5)	42%	43%	(1)%
Australian dollar to U.S. dollar	\$ 0.790	\$ 0.758	\$ 0.032

(1) Includes revenue related to rooms as well as the fees associated with catering, laundry and other services including facilities management.

(2) Average available rooms include rooms that are utilized for our personnel.

(3) Rentable rooms exclude rooms that are utilized for our personnel and out-of-service rooms.

(4) Average daily rate is based on rentable rooms and lodge/village revenue.

(5) Occupancy represents total billed days divided by rentable days. Rentable days excludes staff rooms and out-of-service rooms.

Our Australian segment reported revenues in the third quarter of 2017 that were \$0.1 million, or 0.5%, lower than the third quarter of 2016. The strengthening of the average exchange rates for Australian dollars relative to the U.S. dollar by 4% in the third quarter of 2017 compared to the third quarter of 2016 resulted in a \$1.1 million period-over-period increase in revenues. Excluding the impact of the stronger Australian exchange rates, the Australian segment experienced a 4% decline in revenues due to reduced take-or-pay revenues on expired contracts at our villages in the Bowen Basin, primarily as a result of the ongoing slowdown in mining activity.

Our Australian segment cost of sales increased \$1.0 million, or 8%, in the third quarter of 2017 compared to the third quarter of 2016. The increase was driven by the strengthening of the Australian dollar.

Our Australian segment gross margin as a percentage of revenues decreased to 48% in the third quarter of 2017 from 51% in the third quarter of 2016. This was primarily driven by reduced take-or-pay revenues on expired contracts compared to the third quarter of 2016.

Segment Results of Operations – U.S. Segment

	Three Months Ended September 30,		
	2017	2016	Change
Revenues (\$ in thousands)	\$ 6,116	\$ 3,020	\$ 3,096
Cost of sales (\$ in thousands)	\$ 7,745	\$ 3,952	\$ 3,793
Gross margin as a % of revenues	(26.6%)	(30.9%)	4.3%

Our U.S. segment reported revenues in the third quarter of 2017 that were \$3.1 million, or 103%, higher than the third quarter of 2016. The increase was primarily due to greater U.S. drilling activity in the Bakken, Rockies and Texas markets and higher revenues from our offshore business.

Our U.S. cost of sales increased \$3.8 million, or 96%, in the third quarter of 2017 compared to the third quarter of 2016. The increase was driven by greater U.S. drilling activity in the Bakken, Rockies and Texas markets, greater activity in our offshore business and cost associated with an unforeseen contract cancellation.

Our U.S. segment gross margin as a percentage of revenues increased from (31%) in the third quarter of 2016 to (27%) in the third quarter of 2017 primarily due to increased activity in the Bakken, Rockies and Texas markets.

Results of Operations – Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

	NINE MONTHS ENDED SEPTEMBER 30,		
	2017	2016	Change
	(\$ in thousands)		
Revenues			
Canada	\$ 182,006	\$ 216,168	\$ (34,162)
Australia	83,164	80,694	2,470
United States and other	15,758	9,447	6,311
Total revenues	280,928	306,309	(25,381)
Costs and expenses			
Cost of sales and services			
Canada	125,449	145,914	(20,465)
Australia	41,753	39,092	2,661
United States and other	19,481	13,487	5,994
Total cost of sales and services	186,683	198,493	(11,810)
Selling, general and administrative expenses	44,141	42,056	2,085
Depreciation and amortization expense	97,083	100,444	(3,361)
Impairment expense	4,360	46,129	(41,769)
Other operating expense	1,104	356	748
Total costs and expenses	333,371	387,478	(54,107)
Operating loss	(52,443)	(81,169)	28,726
Interest expense and income, net	(16,470)	(17,103)	633
Other income	1,247	1,058	189
Loss before income taxes	(67,666)	(97,214)	29,548
Income tax benefit	9,875	17,217	(7,342)
Net loss	(57,791)	(79,997)	22,206
Less: Net income attributable to noncontrolling interest	343	442	(99)
Net loss attributable to Civeo	\$ (58,134)	\$ (80,439)	\$ 22,305

We reported net loss attributable to Civeo for the nine months ended September 30, 2017 of \$58.1 million, or \$0.46 per diluted share. As further discussed below, net loss included a \$4.4 million pre-tax loss (\$3.2 million after-tax, or \$0.02 per diluted share) resulting from the impairment of fixed assets included in Impairment expense below.

We reported net loss attributable to Civeo for the nine months ended September 30, 2016 of \$80.4 million, or \$0.75 per diluted share. As further discussed below, net loss included (i) an \$46.1 million pre-tax loss (\$35.9 million after-tax, or \$0.34 per diluted share) resulting from the impairment of fixed assets, included in Impairment expense, and (ii) a \$1.3 million pre-tax loss (\$1.2 million after-tax, or \$0.01 per diluted share) from costs incurred in connection with our redomicile to Canada, included in Selling, general and administrative (SG&A) expense below.

Revenues. Consolidated revenues decreased \$25.4 million, or 8%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This decline was largely driven by decreases in Canada due to lower rates and lower mobile, open camp and product activity, offset by increases in the U.S. due to increased activity levels and in Australia due to increased occupancy at our villages in Western Australian, as well as stronger Canadian and Australian dollars in 2017 compared to 2016. Please see the discussion of segment results of operations below for further information.

Cost of Sales and Services. Our consolidated cost of sales decreased \$11.8 million, or 6%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016, primarily due to decreases in Canada due to lower mobile, open camp and product activity, as well as a focus on cost containment and operational efficiencies. This was partially offset by increases in the U.S. due to increased activity levels and in Australia due to increased occupancy at our villages in Western Australia, as well as stronger Canadian and Australian dollars in 2017 compared to 2016. Please see the discussion of segment results of operations below for further information.

Selling, General and Administrative Expenses. SG&A expense increased \$2.1 million, or 5%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This increase was primarily due to higher share based compensation expense associated with phantom share awards and higher incentive compensation costs. The increase in share based compensation was due to the increase in our share price during the period, which is used to remeasure the phantom share awards at each reporting date. These items were partially offset by reduced compensation as a result of workforce reductions in 2016, lower professional fees when compared to 2016 and other administrative cost reductions.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased \$3.4 million, or 3%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 primarily due to reduced depreciation expense resulting from impairments recorded in 2016, partially offset by increased depreciation expense associated with an enterprise information system placed in service in 2017.

Impairment Expense. Impairment expense of \$4.4 million in the nine months ended September 30, 2017 consisted of leasehold improvements and undeveloped land positions in our Canadian segment.

Impairment expense of \$46.1 million in the nine months ended September 30, 2016 consisted of:

- Pre-tax impairment losses of \$37.7 million related to mobile camp assets and certain undeveloped land positions in the British Columbia LNG market in our Canadian segment; and
- Pre-tax impairment losses of \$8.4 million related to the impairment of fixed assets in our U.S. segment.

Please see Note 5 - Impairment Charges to the notes to the unaudited consolidated financial statements of this quarterly report for further discussion.

Operating Loss. Consolidated operating loss decreased \$28.7 million, or 35%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 primarily due to lower impairment expense in the 2017 period and lower depreciation and amortization expense, partially offset by lower contracted rates in Canada.

Interest Expense and Interest Income, net. Net interest expense decreased by \$0.6 million, or 4%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 primarily due to lower amounts outstanding under our revolving credit facilities in the first nine months of 2017 as compared to the first nine months of 2016, offset by increases from the 2017 write-off of \$0.8 million of debt issuance costs associated with an amendment to the Credit Agreement (as compared to a \$0.3 million write-off of debt issuance costs in the first quarter 2016) and higher interest rates on term loan and revolving credit facility borrowings.

Income Tax Benefit. Our income tax benefit for the nine months ended September 30, 2017 totaled \$9.9 million, or 14.6% of pretax loss, compared to a benefit of \$17.2 million, or 17.7% of pretax loss, for the nine months ended September 30, 2016. Our effective tax rates in 2017 and 2016 were reduced approximately 11% and 10%, respectively, by the exclusion of Australia and U.S. for purposes of computing the interim tax provision since they are loss jurisdictions for tax accounting purposes.

Other Comprehensive Income (Loss). Other comprehensive income increased \$12.2 million in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 primarily as a result of foreign currency translation adjustments due to changes in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar exchange rate compared to the U.S. dollar increased 8% from December 31, 2016 to September 30, 2017 compared to a 6% increase from December 31, 2015 to September 30, 2016. The Australian dollar exchange rate compared to the U.S. dollar increased 8% from December 31, 2016 to September 30, 2017 compared to a 5% increase from December 31, 2015 to September 30, 2016.

Segment Results of Operations – Canadian Segment

	Nine Months Ended September 30,		
	2017	2016	Change
Revenues (\$ in thousands)			
Lodge revenue (1)	\$ 168,654	\$ 182,899	\$ (14,245)
Mobile, open camp and product revenue	13,352	33,269	(19,917)
Total revenues	\$ 182,006	\$ 216,168	\$ (34,162)
Cost of sales and services (\$ in thousands)	\$ 125,449	\$ 145,914	\$ (20,465)
Gross margin as a % of revenues	31.1%	32.5%	(1.4%)
Average available lodge rooms (2)	14,720	14,647	73
Rentable rooms for lodges (3)	8,564	10,199	(1,635)
Average daily rate for lodges (4)	\$ 93	\$ 106	\$ (13)
Occupancy in lodges (5)	78%	62%	16%
Canadian dollar to U.S. dollar	\$ 0.766	\$ 0.757	\$ 0.009

- (1) Includes revenue related to rooms as well as the fees associated with catering, laundry and other services including facilities management.
- (2) Average available rooms include rooms that are utilized for our personnel.
- (3) Rentable rooms exclude rooms that are utilized for our personnel and out-of-service rooms.
- (4) Average daily rate is based on rentable rooms and lodge/village revenue.
- (5) Occupancy represents total billed days divided by rentable days. Rentable days excludes staff rooms and out-of-service rooms

Our Canadian segment reported revenues in the nine months ended September 30, 2017 that were \$34.2 million, or 16%, lower than the nine months ended September 30, 2016. The strengthening of the average exchange rates for the Canadian dollar relative to the U.S. dollar by 1% in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 resulted in a \$2.3 million year-over-year increase in revenues. In addition, excluding the impact of the stronger Canadian exchange rates, the segment experienced a 9% decline in lodge revenues, primarily due to lower rates. Finally, mobile, open camp and product revenues declined due to overall lower activity levels.

Our Canadian segment cost of sales and services decreased \$20.5 million, or 14%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016, primarily due to the decline in mobile, open camp and product activity, as well as a focus on cost containment and operational efficiencies.

Our Canadian segment gross margin as a percentage of revenues decreased from 33% in the nine months ended September 30, 2016 to 31% in the nine months ended September 30, 2017 primarily due to lower rates, partially offset by lower costs due to a focus on cost containment and operational efficiencies.

Segment Results of Operations – Australian Segment

	Nine Months Ended September 30,		
	2017	2016	Change
Revenues (\$ in thousands)			
Village revenue (1)	\$ 83,164	\$ 80,694	\$ 2,470
Total revenues	83,164	80,694	2,470
Cost of sales (\$ in thousands)	\$ 41,753	\$ 39,092	\$ 2,661
Gross margin as a % of revenues	49.8%	51.6%	(1.8%)
Average available village rooms (2)	9,377	9,317	60
Rentable rooms for villages (3)	8,753	8,700	53
Average daily rate for villages (4)	\$ 81	\$ 75	\$ 6
Occupancy in Villages (5)	43%	45%	(2%)
Australian dollar to U.S. dollar	\$ 0.766	\$ 0.742	\$ 0.024

(1) Includes revenue related to rooms as well as the fees associated with catering, laundry and other services including facilities management.

(2) Average available rooms include rooms that are utilized for our personnel.

(3) Rentable rooms exclude rooms that are utilized for our personnel and out-of-service rooms.

(4) Average daily rate is based on rentable rooms and lodge/village revenue.

(5) Occupancy represents total billed days divided by rentable days. Rentable days excludes staff rooms and out-of-service rooms.

Our Australian segment reported revenues in the nine months ended September 30, 2017 that were \$2.5 million, or 3%, higher than the nine months ended September 30, 2016. The strengthening of the average exchange rates for Australian dollars relative to the U.S. dollar by 3% in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 resulted in a \$2.6 million year-over-year increase in revenues. Excluding the impact of the stronger Australian exchange rates, the segment was flat due to increased occupancy at our villages in Western Australian, offset by reduced occupancy at our villages in the Bowen Basin. Occupancy increased in Western Australia during the nine months ended September 30, 2017 with increased activity from anchor tenants at both our Western Australian village locations. Reduced occupancy in the Bowen Basin is primarily a result of the ongoing slowdown in mining activity.

Our Australian segment cost of sales increased \$2.7 million, or 7%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The increase was driven by higher occupancy levels at our villages in Western Australian as well as the strengthening of the Australian dollar.

Our Australian segment gross margin as a percentage of revenues decreased to 50% in the nine months ended September 30, 2017 from 52% in the nine months ended September 30, 2016. This was primarily driven by reduced take-or-pay revenues on expired contracts compared to the nine months ended September 30, 2016.

Segment Results of Operations – U.S. Segment

	Nine Months Ended September 30,		
	2017	2016	Change
Revenues (\$ in thousands)	\$ 15,758	\$ 9,447	\$ 6,311
Cost of sales (\$ in thousands)	\$ 19,481	\$ 13,487	\$ 5,994
Gross margin as a % of revenues	(23.6%)	(42.8%)	19.2%

Our U.S. segment reported revenues in the nine months ended September 30, 2017 that were \$6.3 million, or 67%, higher than the nine months ended September 30, 2016. The increase was primarily due to greater U.S. drilling activity in the Bakken, Rockies and Texas markets, partially offset by decreased revenues from our offshore business.

Our U.S. cost of sales increased \$6.0 million, or 44%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The increase was driven by greater U.S. drilling activity in the Bakken, Rockies and Texas markets.

Our U.S. segment gross margin as a percentage of revenues increased from (43%) in the nine months ended September 30, 2016 to (24%) in the nine months ended September 30, 2017, primarily due to increased activity in the Bakken, Rockies and Texas markets.

Liquidity and Capital Resources

Our primary liquidity needs are to fund capital expenditures, which in the past have included expanding and improving our accommodations, developing new lodges and villages, purchasing or leasing land under our land banking strategy, and for general working capital needs. In addition, capital has been used to repay debt, fund strategic business acquisitions and pay dividends. Historically, our primary sources of funds have been available cash, cash flow from operations, borrowings under the Credit Agreement (as amended by the third amendment described below, the Amended Credit Agreement) and proceeds from our equity issuance. In the future, we may seek to access the debt and equity capital markets from time to time to raise additional capital, increase liquidity, fund acquisitions and refinance debt.

The following table summarizes our consolidated liquidity position as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Lender commitments ⁽¹⁾	\$ 275,000	\$ 350,000
Reductions in availability ⁽²⁾	(167,358)	(144,803)
Borrowings against revolving credit capacity	--	(39,129)
Outstanding letters of credit	(1,777)	(1,571)
Unused availability	105,865	164,497
Cash and cash equivalents	54,002	1,785
Total available liquidity	<u>\$ 159,867</u>	<u>\$ 166,282</u>

(1) We also have a A\$2.0 million bank guarantee facility. We had bank guarantees of A\$0.8 million and A\$0.8 million under this facility outstanding as of September 30, 2017 and December 31, 2016, respectively.

(2) As of September 30, 2017 and December 31, 2016, \$167.4 million and \$144.8 million, respectively, of our borrowing capacity under the Amended Credit Agreement could not be utilized in order to maintain compliance with the maximum leverage ratio financial covenant in the Amended Credit Agreement.

Cash totaling \$45.5 million was provided by operations during the nine months ended September 30, 2017 compared to \$48.8 million provided by operations during the nine months ended September 30, 2016. The decrease in operating cash flow in 2017 compared to 2016 was primarily due to lower revenue resulting from occupancy levels in lodges and villages. Net cash provided by changes in operating assets and liabilities was \$4.5 million during the nine months ended September 30, 2017 compared to net cash used in changes in operating assets and liabilities of \$0.9 million during the nine months ended September 30, 2016. The increase was primarily the result of income tax refunds received in the third quarter 2017.

Cash was used in investing activities during the nine months ended September 30, 2017 in the amount of \$5.8 million compared to cash used in investing activities during the nine months ended September 30, 2016 in the amount of \$11.5 million. Capital expenditures totaled \$8.0 million and \$15.2 million during the nine months ended September 30, 2017 and 2016, respectively. Capital expenditures in the nine months ended September 30, 2017 and 2016 consisted primarily of routine maintenance capital expenditures as well as investments in an enterprise information system.

We expect our capital expenditures for 2017 to be in the range of \$12 million to \$15 million, which excludes any expenditures for unannounced and uncommitted projects, the spending for which is contingent on obtaining customer contracts. Whether planned expenditures will match actual expenditures in 2017 depends on industry conditions, project approvals and schedules, customer room commitments and project and construction timing. We expect to fund these capital expenditures with available cash, cash flow from operations and revolving credit borrowings under our Amended Credit Agreement. The foregoing capital expenditure forecast does not include any funds for strategic acquisitions, which we could pursue depending on the economic environment in our industry and the availability of transactions at prices deemed to be attractive to us.

Net cash of \$10.6 million was provided in financing activities during the nine months ended September 30, 2017, primarily due to net proceeds from our February 2017 equity offering of \$64.8 million, offset by net repayments under our revolving credit facilities of \$39.9 million, repayments of term loan borrowings of \$12.2 million and debt issuance costs of \$1.9 million. Net cash of \$45.8 million was used in financing activities during the nine months ended September 30, 2016, primarily due to repayments of term loan borrowings of \$37.1 million, net repayments of revolver borrowings of \$6.6 million and debt issuance costs of \$2.0 million.

The following table summarizes the changes in debt outstanding during the nine months ended September 30, 2017 (in thousands):

	Canada	Australia	U.S.	Total
Balance at December 31, 2016	\$ 326,385	\$ 6,507	\$ 24,375	\$ 357,267
Borrowings under revolving credit facilities	22,655	4,970	16,900	44,525
Repayments of borrowings under revolving credit facilities	(55,725)	(11,837)	(16,900)	(84,462)
Repayments of term loans	(12,214)	--	--	(12,214)
Translation	22,304	360	--	22,664
Balance at September 30, 2017	<u>\$ 303,405</u>	<u>\$ --</u>	<u>\$ 24,375</u>	<u>\$ 327,780</u>

We believe that cash on hand and cash flow from operations will be sufficient to meet our anticipated liquidity needs in the coming 12 months. If our plans or assumptions change, or are inaccurate, or if we make acquisitions, we may need to raise additional capital. Acquisitions have been, and our management believes acquisitions will continue to be, an element of our business strategy. The timing, size or success of any acquisition effort and the associated potential capital commitments are unpredictable and uncertain. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances or may issue equity directly to the sellers. Our ability to obtain capital for additional projects to implement our growth strategy over the longer term will depend on our future operating performance, financial condition and, more broadly, on the availability of equity and debt financing. Capital availability will be affected by prevailing conditions in our industry, the global economy, the global financial markets and other factors, many of which are beyond our control. In addition, any additional debt service requirements we take on could be based on higher interest rates and shorter maturities and could impose a significant burden on our results of operations and financial condition, and the issuance of additional equity securities could result in significant dilution to shareholders. In addition, in some cases, we may incur costs to acquire land and/or construct assets without securing a customer contract or prior to finalization of an accommodations contract with a customer. If the contract is not obtained or the underlying investment decision is delayed, the resulting impact could result in an impairment of the related investment.

Amended Credit Agreement

On February 17, 2017, the third amendment to the Credit Agreement became effective, which:

- provided for the reduction by \$75 million of the aggregate revolving loan commitments under the Amended Credit Agreement, to a maximum principal amount of \$275 million, allocated as follows: (1) a \$40.0 million senior secured revolving credit facility in favor of certain of our U.S. subsidiaries, as borrowers; (2) a \$90.0 million senior secured revolving credit facility in favor of Civeo and certain of our Canadian subsidiaries, as borrowers; (3) a \$60.0 million senior secured revolving credit facility in favor of Civeo, as borrower; and (4) an \$85.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower;
- established one additional level to the total leverage-based grid such that the interest rates for the loans range from the London Interbank Offered Rate (LIBOR) plus 2.25% to LIBOR plus 5.50%, and increased the undrawn commitment fee from a range of 0.51% to 1.13% to a range of 0.51% to 1.24% based on total leverage;
- adjusted the maximum leverage ratio financial covenant for the relevant periods, as follows:

<u>Period Ended</u>	<u>Maximum Leverage Ratio</u>
September 30, 2017	5.85 : 1.00
December 31, 2017	5.85 : 1.00
March 31, 2018	5.85 : 1.00
June 30, 2018	5.85 : 1.00
September 30, 2018	5.85 : 1.00
December 31, 2018	5.50 : 1.00
March 31, 2019 & thereafter	5.25 : 1.00

; and

- provided for other technical changes and amendments to the Amended Credit Agreement.

U.S. dollar amounts outstanding under the facilities provided by the Amended Credit Agreement bear interest at a variable rate equal to LIBOR plus a margin of 2.25% to 5.50%, or a base rate plus 1.25% to 4.50%, in each case based on a ratio of our total leverage to EBITDA (as defined in the Amended Credit Agreement). Canadian dollar amounts outstanding bear interest at a variable rate equal to the Canadian Dollar Offered Rate plus a margin of 2.25% to 5.50%, or a base rate plus a margin of 1.25% to 4.50%, in each case based on a ratio of our consolidated total leverage to EBITDA. Australian dollar amounts outstanding under the Amended Credit Facility bear interest at a variable rate equal to the Bank Bill Swap Bid Rate plus a margin of 2.25% to 5.50%, based on a ratio of our consolidated total leverage to EBITDA.

The Amended Credit Agreement contains customary affirmative and negative covenants that, among other things, limit or restrict: (i) subsidiary indebtedness, liens and fundamental changes; (ii) asset sales; (iii) acquisitions of margin stock; (iv) specified acquisitions; (v) certain restrictive agreements; (vi) transactions with affiliates; and (vii) investments and other restricted payments, including dividends and other distributions. In addition, we must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA to consolidated interest expense, of at least 3.0 to 1.0 and our maximum leverage ratio, defined as the ratio of total debt to consolidated EBITDA, of no greater than 5.85 to 1.0 (as of September 30, 2017). As noted above, the permitted maximum leverage ratio changes over time. Each of the factors considered in the calculations of these ratios are defined in the Amended Credit Agreement. EBITDA and consolidated interest, as defined, exclude goodwill and asset impairments, debt discount amortization and other non-cash charges. We were in compliance with all of these covenants as of September 30, 2017.

Borrowings under the Amended Credit Agreement are secured by a pledge of substantially all of our assets and the assets of our subsidiaries. The obligations under the Amended Credit Agreement are guaranteed by our significant subsidiaries. There are 15 lenders that are parties to the Amended Credit Agreement, with commitments ranging from \$1.1 million to \$122.2 million.

Dividends

We do not currently pay dividends. The declaration and amount of all potential future dividends will be at the discretion of our Board of Directors and will depend upon many factors, including our financial condition, results of operations, cash flows, prospects, industry conditions, capital requirements of our business, covenants associated with certain debt obligations, legal requirements, regulatory constraints, industry practice and other factors the Board of Directors deems relevant. In addition, our ability to pay dividends is limited by covenants in the Amended Credit Agreement. Future agreements may also limit our ability to pay dividends, and we may incur incremental taxes if we are required to repatriate foreign earnings to pay such dividends. If we elect to pay dividends in the future, the amount per share of our dividend payments may be changed, or dividends may again be suspended, without advance notice. The likelihood that dividends will be reduced or suspended is increased during periods of market weakness. There can be no assurance that we will pay a dividend in the future.

Off-Balance Sheet Arrangements

As of September 30, 2017, we had no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

For additional information about our contractual obligations, refer to “Liquidity and Capital Resources—Contractual Obligations” in our Annual Report on Form 10-K for the year ended December 31, 2016. As of September 30, 2017, except for net repayments under our revolving credit facilities, there were no material changes to this disclosures regarding our contractual obligations made in our Annual Report on Form 10-K for the year ended December 31, 2016.

Critical Accounting Policies

For a discussion of the critical accounting policies and estimates that we use in the preparation of our consolidated financial statements, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2016. These estimates require significant judgments, assumptions and estimates. We have discussed the development, selection and disclosure of these critical accounting policies and estimates with the audit committee of our Board of Directors. There have been no material changes to the judgments, assumptions and estimates upon which our critical accounting estimates are based.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Our principal market risks are our exposure to changes in interest rates and foreign currency exchange rates.

Interest Rate Risk

We have credit facilities that are subject to the risk of higher interest charges associated with increases in interest rates. As of September 30, 2017, we had \$327.8 million of outstanding floating-rate obligations under our credit facilities. These floating-rate obligations expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If floating interest rates increased by 100 basis points, our consolidated interest expense would increase by approximately \$3.3 million annually, based on our floating-rate debt obligations and interest rates in effect as of September 30, 2017.

Foreign Currency Exchange Rate Risk

Our operations are conducted in various countries around the world, and we receive revenue and pay expenses from these operations in a number of different currencies. As such, our earnings are subject to movements in foreign currency exchange rates when transactions are denominated in (i) currencies other than the U.S. dollar, which is our reporting currency, or (ii) the functional currency of our subsidiaries, which is not necessarily the U.S. dollar. Excluding intercompany balances, our Canadian dollar and Australian dollar functional currency net assets total approximately C\$0.2 billion and A\$0.5 billion, respectively, at September 30, 2017. We use a sensitivity analysis model to measure the impact of a 10% adverse movement of foreign currency exchange rates against the United States dollar. A hypothetical 10% adverse change in the value of the Canadian dollar and Australian dollar relative to the U.S. dollar as of September 30, 2017 would result in translation adjustments of approximately \$20 million and \$47 million, respectively, recorded in other comprehensive loss. Although we do not currently have any foreign exchange agreements outstanding, in order to reduce our exposure to fluctuations in currency exchange rates, we may enter into foreign exchange agreements with financial institutions in the future.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2017, at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2017, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. *Legal Proceedings*

We are a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, products, employees and other matters, including occasional claims by individuals alleging exposure to hazardous materials as a result of our products or operations. Some of these claims relate to matters occurring prior to our acquisition of businesses, and some relate to businesses we have sold. In certain cases, we are entitled to indemnification from the sellers of businesses, and in other cases, we have indemnified the buyers of businesses from us. Although we can give no assurance about the outcome of pending legal and administrative proceedings and the effect such outcomes may have on us, we believe that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by indemnity or insurance, will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

ITEM 1A. *Risk Factors*

For additional information about our risk factors, please read the section entitled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 6. Exhibits

(a) INDEX OF EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
31.1*	— Certification of Chief Executive Officer of Civeo Corporation pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	— Certification of Chief Financial Officer of Civeo Corporation pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
32.1**	— Certification of Chief Executive Officer of Civeo Corporation pursuant to Rules 13a-14(b) or 15d-14(b) under the Securities Exchange Act of 1934.
32.2**	— Certification of Chief Financial Officer of Civeo Corporation pursuant to Rules 13a-14(b) or 15d-14(b) under the Securities Exchange Act of 1934.
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

* Filed herewith.

** Furnished herewith.

PLEASE NOTE: Pursuant to the rules and regulations of the Securities and Exchange Commission, we have filed or incorporated by reference the agreements referenced above as exhibits to this Quarterly Report on Form 10-Q. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other factual information about Civeo or its business or operations. In particular, the assertions embodied in any representations, warranties and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties and covenants in the agreements may have been used for the purpose of allocating risk between the parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in our public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about Civeo or its business or operations on the date hereof.

SIGNATURES

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.

CIVEO CORPORATION

Date: October 26, 2017 By /s/ Frank C. Steininger
Frank C. Steininger
Senior Vice President, Chief Financial Officer and
Treasurer (Duly Authorized Officer and Principal
Financial Officer)

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF CIVEO CORPORATION
PURSUANT TO RULE 13a-14(a) UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

I, Bradley J. Dodson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Civeo Corporation (Registrant);
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 the 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: October 26, 2017

/s/ Bradley J. Dodson

Bradley J. Dodson
President and Chief Executive Officer

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF CIVEO CORPORATION
PURSUANT TO RULE 13a-14(a) UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

I, Frank C. Steininger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Civeo Corporation (Registrant);
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 the 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: October 26, 2017

/s/ Frank C. Steininger

Frank C. Steininger

Senior Vice President, Chief Financial Officer and Treasurer

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF CIVEO CORPORATION
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Civeo Corporation (the "Company") for the quarterly period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradley J. Dodson, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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.

/s/ Bradley J. Dodson

Name: Bradley J. Dodson

Date: October 26, 2017

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF CIVEO CORPORATION
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Civeo Corporation (the "Company") for the quarterly period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank C. Steininger, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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.

/s/ Frank C. Steininger

Name: Frank C. Steininger

Date: October 26, 2017