

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, 2019

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)

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Shares, no par value	CVEO	New York Stock Exchange

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

YES

NO

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

YES

NO

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

Large Accelerated Filer

Accelerated Filer

Emerging Growth Company

Non-Accelerated Filer

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 169,549,135 common shares outstanding as of October 21, 2019.

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,	
	2019	2018	2019	2018
Revenues:				
Service and other	\$ 140,349	\$ 112,243	\$ 353,147	\$ 327,395
Rental	6,942	6,019	21,057	13,757
Product	872	2,229	4,662	11,020
	<u>148,163</u>	<u>120,491</u>	<u>378,866</u>	<u>352,172</u>
Costs and expenses:				
Service and other costs	93,642	74,546	243,945	225,046
Rental costs	5,072	5,441	16,579	15,281
Product costs	766	2,240	3,826	9,056
Selling, general and administrative expenses	14,334	16,854	42,960	55,189
Depreciation and amortization expense	31,196	34,468	92,974	99,502
Impairment expense	—	—	5,546	28,661
Other operating expense (income)	277	(163)	109	348
	<u>145,287</u>	<u>133,386</u>	<u>405,939</u>	<u>433,083</u>
Operating income (loss)	2,876	(12,895)	(27,073)	(80,911)
Interest expense	(7,315)	(6,404)	(20,670)	(19,329)
Loss on extinguishment of debt	—	—	—	(748)
Interest income	17	16	66	92
Other income	2,849	412	6,882	2,923
Loss before income taxes	(1,573)	(18,871)	(40,795)	(97,973)
Income tax benefit	6,629	5,330	13,963	29,386
Net income (loss)	5,056	(13,541)	(26,832)	(68,587)
Less: Net income attributable to noncontrolling interest	60	97	60	341
Net income (loss) attributable to Civeo Corporation	4,996	(13,638)	(26,892)	(68,928)
Less: Dividends attributable to Class A preferred shares	464	612	1,384	49,100
Net income (loss) attributable to Civeo common shareholders	<u>\$ 4,532</u>	<u>\$ (14,250)</u>	<u>\$ (28,276)</u>	<u>\$ (118,028)</u>
Per Share Data (see Note 9)				
Basic net income (loss) per share attributable to Civeo Corporation common shareholders	\$ 0.02	\$ (0.09)	\$ (0.17)	\$ (0.76)
Diluted net income (loss) per share attributable to Civeo Corporation common shareholders	\$ 0.02	\$ (0.09)	\$ (0.17)	\$ (0.76)
Weighted average number of common shares outstanding:				
Basic	167,640	165,855	166,842	154,411
Diluted	167,642	165,855	166,842	154,411

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

CIVEO CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 5,056	\$ (13,541)	\$ (26,832)	\$ (68,587)
Other comprehensive loss:				
Foreign currency translation adjustment, net of taxes of zero	(12,096)	(1,343)	(5,633)	(25,598)
Total other comprehensive loss	(12,096)	(1,343)	(5,633)	(25,598)
Comprehensive loss	(7,040)	(14,884)	(32,465)	(94,185)
Less: Comprehensive income attributable to noncontrolling interest	60	100	60	342
Comprehensive loss attributable to Civeo Corporation	\$ (7,100)	\$ (14,984)	\$ (32,525)	\$ (94,527)

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

CIVEO CORPORATION

CONSOLIDATED BALANCE SHEETS
(In Thousands, excluding share amounts)

	September 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,072	\$ 12,372
Accounts receivable, net	106,792	70,223
Inventories	6,823	4,313
Prepaid expenses	8,478	7,036
Other current assets	5,898	3,556
Assets held for sale	8,132	10,297
Total current assets	144,195	107,797
Property, plant and equipment, net	599,950	658,905
Goodwill	128,077	114,207
Other intangible assets, net	111,888	119,409
Operating lease right-of-use assets	25,034	—
Other noncurrent assets	1,679	1,359
Total assets	<u>\$ 1,010,823</u>	<u>\$ 1,001,677</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 35,266	\$ 28,334
Accrued liabilities	19,355	15,956
Income taxes	910	310
Current portion of long-term debt	34,372	33,329
Deferred revenue	4,442	3,035
Other current liabilities	9,098	5,719
Total current liabilities	103,443	86,683
Long-term debt, less current maturities	356,704	342,908
Deferred income taxes	6,085	18,442
Operating lease liabilities	20,992	—
Other noncurrent liabilities	18,081	18,220
Total liabilities	505,305	466,253
Commitments and contingencies (Note 12)		
Shareholders' Equity:		
Preferred shares (Class A Series 1, no par value; 50,000,000 shares authorized, 9,042 shares issued and outstanding, respectively; aggregate liquidation preference of \$93,161,584 as of September 30, 2019)	57,664	56,280
Common shares (no par value; 550,000,000 shares authorized, 171,648,771 shares and 166,392,479 shares issued, respectively, and 169,549,135 shares and 165,932,334 shares outstanding, respectively)	—	—
Additional paid-in capital	1,569,734	1,562,133
Accumulated deficit	(739,526)	(710,551)
Common shares held in treasury at cost, 2,099,636 and 460,145 shares, respectively	(5,472)	(1,189)
Accumulated other comprehensive loss	(376,882)	(371,249)
Total Civeo Corporation shareholders' equity	505,518	535,424
Noncontrolling interest	—	—
Total shareholders' equity	505,518	535,424
Total liabilities and shareholders' equity	<u>\$ 1,010,823</u>	<u>\$ 1,001,677</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								Total Shareholders' Equity
	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Deficit	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest		
	Amount	Par Value							
Balance, June 30, 2018	\$ 55,305	\$ —	\$ 1,555,994	\$ (682,497)	\$ (990)	\$ (352,466)	\$ 119	\$ 575,465	
Net income (loss)	—	—	—	(13,638)	—	—	97	(13,541)	
Currency translation adjustment	—	—	—	—	—	(1,346)	3	(1,343)	
Dividends paid	—	—	—	—	—	—	(121)	(121)	
Issuance of shares for acquisitions	—	—	(10)	—	—	—	—	(10)	
Dividends attributable to Class A preferred shares	486	—	126	(612)	—	—	—	—	
Share-based compensation	—	—	2,791	—	—	—	—	2,791	
Balance, September 30, 2018	<u>\$ 55,791</u>	<u>\$ —</u>	<u>\$ 1,558,901</u>	<u>\$ (696,747)</u>	<u>\$ (990)</u>	<u>\$ (353,812)</u>	<u>\$ 98</u>	<u>\$ 563,241</u>	
Balance, June 30, 2019	\$ 57,200	\$ —	\$ 1,567,162	\$ (744,058)	\$ (5,472)	\$ (364,786)	\$ —	\$ 510,046	
Net income (loss)	—	—	—	4,996	—	—	60	5,056	
Currency translation adjustment	—	—	—	—	—	(12,096)	—	(12,096)	
Dividends paid	—	—	—	—	—	—	(60)	(60)	
Dividends attributable to Class A preferred shares	464	—	—	(464)	—	—	—	—	
Share-based compensation	—	—	2,572	—	—	—	—	2,572	
Balance, September 30, 2019	<u>\$ 57,664</u>	<u>\$ —</u>	<u>\$ 1,569,734</u>	<u>\$ (739,526)</u>	<u>\$ (5,472)</u>	<u>\$ (376,882)</u>	<u>\$ —</u>	<u>\$ 505,518</u>	
Balance, December 31, 2017	\$ —	\$ —	\$ 1,383,934	\$ (579,113)	\$ (358)	\$ (328,213)	\$ 117	\$ 476,367	
Net income (loss)	—	—	—	(68,928)	—	—	341	(68,587)	
Currency translation adjustment	—	—	—	—	—	(25,599)	1	(25,598)	
Dividends paid	—	—	—	—	—	—	(361)	(361)	
Cumulative effect of implementation of ASU 2014-09	—	—	—	394	—	—	—	394	
Issuance of shares for acquisitions	6,972	—	166,882	—	—	—	—	173,854	
Dividends attributable to Class A preferred shares	48,819	—	281	(49,100)	—	—	—	—	
Share-based compensation	—	—	7,804	—	(632)	—	—	7,172	
Balance, September 30, 2018	<u>\$ 55,791</u>	<u>\$ —</u>	<u>\$ 1,558,901</u>	<u>\$ (696,747)</u>	<u>\$ (990)</u>	<u>\$ (353,812)</u>	<u>\$ 98</u>	<u>\$ 563,241</u>	
Balance, December 31, 2018	\$ 56,280	\$ —	\$ 1,562,133	\$ (710,551)	\$ (1,189)	\$ (371,249)	\$ —	\$ 535,424	
Net income (loss)	—	—	—	(26,892)	—	—	60	(26,832)	
Currency translation adjustment	—	—	—	—	—	(5,633)	—	(5,633)	
Dividends paid	—	—	—	—	—	—	(60)	(60)	
Cumulative effect of implementation of ASU 2016-02	—	—	—	(699)	—	—	—	(699)	
Dividends attributable to Class A preferred shares	1,384	—	—	(1,384)	—	—	—	—	
Share-based compensation	—	—	7,601	—	(4,283)	—	—	3,318	
Balance, September 30, 2019	<u>\$ 57,664</u>	<u>\$ —</u>	<u>\$ 1,569,734</u>	<u>\$ (739,526)</u>	<u>\$ (5,472)</u>	<u>\$ (376,882)</u>	<u>\$ —</u>	<u>\$ 505,518</u>	
	Preferred Shares (in thousands)	Common Shares (in thousands)							
Balance, December 31, 2018	9,042	165,932							
Stock-based compensation	—	3,617							
Balance, September 30, 2019	<u>9,042</u>	<u>169,549</u>							

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,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (26,832)	\$ (68,587)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	92,974	99,502
Impairment charges	5,546	28,661
Loss on extinguishment of debt	—	748
Deferred income tax benefit	(14,732)	(29,272)
Non-cash compensation charge	7,601	7,804
Gains on disposals of assets	(4,095)	(2,714)
Provision for loss on receivables, net of recoveries	(39)	(106)
Other, net	2,530	3,959
Changes in operating assets and liabilities:		
Accounts receivable	(30,227)	89
Inventories	(1,175)	1,342
Accounts payable and accrued liabilities	4,958	(10,787)
Taxes payable	345	939
Other current and noncurrent assets and liabilities, net	(3,328)	(5,716)
Net cash flows provided by operating activities	33,526	25,862
Cash flows from investing activities:		
Capital expenditures	(25,517)	(8,666)
Payments related to acquisitions, net of cash acquired	(16,439)	(181,589)
Proceeds from disposition of property, plant and equipment	5,482	4,038
Other, net	1,762	111
Net cash flows used in investing activities	(34,712)	(186,106)
Cash flows from financing activities:		
Revolving credit borrowings	340,494	289,450
Revolving credit repayments	(310,946)	(134,040)
Term loan repayments	(26,085)	(18,177)
Debt issuance costs	(1,950)	(2,742)
Taxes paid on vested shares	(4,283)	(632)
Net cash flows provided by (used in) financing activities	(2,770)	133,859
Effect of exchange rate changes on cash	(344)	(1,722)
Net change in cash and cash equivalents	(4,300)	(28,107)
Cash and cash equivalents, beginning of period	12,372	32,647
Cash and cash equivalents, end of period	\$ 8,072	\$ 4,540
Non-cash investing activities:		
Value of common shares issued as consideration for acquisitions	\$ —	\$ 119,797
Value of preferred shares issued as consideration for acquisition	\$ —	\$ 54,821
Non-cash financing activities:		
Preferred dividends paid-in-kind	\$ 1,384	\$ 971

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

NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS**1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION*****Description of the Business***

We are a hospitality company servicing the natural resources industry in Canada, Australia and the U.S. We provide a full suite of hospitality services for our guests, including lodging, food service, housekeeping and maintenance at accommodation facilities that we or our customers own. We also, in many cases, provide services that support the day-to-day operations of accommodation facilities, such as laundry, facility management and maintenance, water and wastewater treatment, power generation, communication systems, security and group logistics. We also offer development activities for workforce accommodation facilities, including site selection, permitting, engineering and design, manufacturing management and site construction, along with providing hospitality services once the facility is constructed. We operate in some of the world's most active oil, coal and iron ore producing regions, and our customers include major and independent oil companies, mining companies and oilfield and mining service companies. We operate in three principal reportable business segments – Canada, Australia and U.S.

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 consolidated statements of operations for the three and nine months ended September 30, 2018 to conform to 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, 2018.

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.

In January 2017, the FASB issued Accounting Standards Update (ASU) 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the fair value of the specified reporting units in their entirety. This eliminates the second step of the current impairment model that requires companies to first estimate the fair value of all assets in a reporting unit and measure impairments based on those fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective prospectively for public business entities for annual reporting periods beginning after December 15, 2019, and early adoption is

CIVEO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
(Continued)

permitted. We will adopt this new standard no later than January 1, 2020. The impact of the new standard will be dependent on the specific facts and circumstances of future individual goodwill impairments, if any.

In June 2016, the FASB issued 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 anticipate adopting ASU 2016-13 as of January 1, 2020. We are currently evaluating the impact of this new standard but do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases” (Topic 842), which replaces the existing guidance for lease accounting. The guidance is effective for financial statements issued for reporting periods beginning after December 15, 2018 and interim periods within the reporting periods. We have adopted this standard effective January 1, 2019 using the optional transition method, which allows us upon adoption to recognize a cumulative-effect adjustment to the opening balance of accumulated deficit for the application of the standard to our existing leases. Upon adoption of this standard, we recognized a cumulative effect adjustment of \$0.7 million (net of \$0.2 million of taxes) to increase accumulated deficit in the accompanying unaudited consolidated balance sheet as of September 30, 2019. ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset for certain leases. We elected the package of practical expedients, which among other things, allowed us to carry forward the historical lease identification and classification. In addition, we have elected the short-term lease recognition exemption for all leases that qualify. Accordingly, we did not recognize right-of-use assets or lease liabilities for leases with terms shorter than 12 months. Our evaluation process included reviewing all forms of leases, performing a completeness assessment over the lease population and analyzing the available practical expedients in order to determine the best implementation strategy. We determined that certain of our accommodation contracts with customers contain both a lease and non-lease or service component and in those instances concluded the service component was the predominant component. As a result, we elected the practical expedient under ASU 2018-11, which allows us to combine the lease and non-lease components of revenues as Service and other revenues for presentation purposes in accordance with Accounting Standards Codification (ASC) Topic 606, “Revenue from Contracts with Customers” (ASC 606). We also have identified certain arrangements with customers whereby we are a lessor for the rental of mobile camp assets primarily in our U.S. segment. For arrangements where we are the lessor, the adoption of the new lease standard did not have a material impact on our financial statements as all of our leases are operating leases, which will result in straight-line recognition of rental revenue. Adoption of the new standard resulted in \$21.3 million of operating lease right-of-use assets and \$22.4 million of operating lease liabilities as of January 1, 2019. Please see Note 14 – Leases for further information.

CIVEO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
(Continued)

3. REVENUE

The following table disaggregates our revenue by our three reportable segments: Canada, Australia and U.S., and major categories for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Canada				
Accommodation revenues	\$ 79,939	\$ 72,991	\$ 203,774	\$ 204,258
Mobile facility rental revenues	3,048	135	5,648	10,036
Food service and other services revenues	8,084	3,627	25,507	11,082
Manufacturing revenues	—	—	1,014	1,285
Total Canada revenues	91,071	76,753	235,943	226,661
Australia				
Accommodation revenues	\$ 33,056	\$ 30,679	\$ 92,473	\$ 88,343
Food service and other services revenues	14,687	411	14,687	1,199
Total Australia revenues	47,743	31,090	107,160	89,542
United States				
Accommodation revenues	\$ 1,655	\$ 5,010	\$ 11,354	\$ 13,353
Mobile facility rental revenues	6,952	6,256	21,175	14,366
Manufacturing revenues	714	1,330	3,116	8,123
Food service and other services revenues	28	52	118	127
Total United States revenues	9,349	12,648	35,763	35,969
Total revenues	\$ 148,163	\$ 120,491	\$ 378,866	\$ 352,172

As of September 30, 2019, for contracts that are greater than one year, the table below discloses the estimated revenues related to performance obligations that are unsatisfied (or partially unsatisfied) and when we expect to recognize the revenue (in thousands):

	For the years ending December 31,				
	2019	2020	2021	Thereafter	Total
Revenue expected to be recognized as of September 30, 2019	\$ 42,364	\$ 124,378	\$ 48,934	\$ 26,598	\$ 242,274

4. 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, 2019 and December 31, 2018, 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 second quarter of 2019 and the first quarter of 2018, we wrote down certain long-lived assets to fair value. 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. Please see Note 6 – Impairment Charges and Asset Retirement Obligations for further information.

CIVEO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
(Continued)

During the third quarter of 2019 and the first and second quarter of 2018, we acquired certain assets and businesses and recorded them at fair value. Determining the fair value of assets acquired and liabilities assumed requires the exercise of significant judgment, including the amount and timing of expected future cash flows, long-term growth rates and discount rates. The cash flows employed in the valuation are based on our best estimates of future sales, earnings and cash flows after considering factors such as general market conditions, expected future customer orders, contracts with suppliers, labor costs, changes in working capital, long term business plans and recent operating performance. Please see Note 7 – Acquisitions for further information.

5. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS

Additional information regarding selected balance sheet accounts at September 30, 2019 and December 31, 2018 is presented below (in thousands):

	September 30, 2019	December 31, 2018
Accounts receivable, net:		
Trade	\$ 70,093	\$ 48,875
Unbilled revenue	36,633	21,169
Other	301	555
Total accounts receivable	107,027	70,599
Allowance for doubtful accounts	(235)	(376)
Total accounts receivable, net	<u>\$ 106,792</u>	<u>\$ 70,223</u>

	September 30, 2019	December 31, 2018
Inventories:		
Finished goods and purchased products	\$ 3,737	\$ 2,461
Work in process	1,958	945
Raw materials	1,128	907
Total inventories	<u>\$ 6,823</u>	<u>\$ 4,313</u>

	Estimated Useful Life (in years)	September 30, 2019	December 31, 2018
Property, plant and equipment, net:			
Land		\$ 42,054	\$ 46,805
Accommodations assets	3 — 15	1,638,800	1,650,758
Buildings and leasehold improvements	7 — 20	25,850	25,168
Machinery and equipment	4 — 15	11,465	10,693
Office furniture and equipment	3 — 7	56,055	54,459
Vehicles	3 — 5	14,667	14,589
Construction in progress		22,276	7,119
Total property, plant and equipment		1,811,167	1,809,591
Accumulated depreciation		(1,211,217)	(1,150,686)
Total property, plant and equipment, net		<u>\$ 599,950</u>	<u>\$ 658,905</u>

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	September 30, 2019	December 31, 2018
Accrued liabilities:		
Accrued compensation	\$ 14,385	\$ 13,545
Accrued taxes, other than income taxes	3,078	2,177
Accrued interest	76	5
Other	1,816	229
Total accrued liabilities	<u>\$ 19,355</u>	<u>\$ 15,956</u>

6. IMPAIRMENT CHARGES AND ASSET RETIREMENT OBLIGATIONS

Quarter ended June 30, 2019. During the second quarter of 2019, we identified indicators that certain long-lived assets in Australia may be impaired due to market developments, including the non-renewal of certain land development approval agreements. We assessed the carrying values of the related assets 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 fully recoverable, and we proceeded to compare the estimated fair value of the assets to their respective carrying values. Accordingly, the assets were written down to their estimated fair values of \$0.5 million. As a result of the analysis described above, we recorded an impairment expense of \$4.5 million.

Additionally, during the second quarter of 2019, we identified a liability related to an asset retirement obligation (ARO) at one of our villages in Australia that should have been recorded in 2011. We determined that the error was not material to our previously issued financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, and therefore, corrected the error in the second quarter of 2019. Specifically, we recorded the following amounts in our second quarter 2019 unaudited consolidated statement of operations related to prior periods: (1) additional accretion expense related to the ARO of \$0.9 million, (2) additional depreciation and amortization expense of \$0.5 million related to amortization of the related asset retirement cost and (3) additional impairment expense related to the impairment of the asset retirement cost of \$1.0 million offset by recognition of an ARO liability totaling \$2.3 million as of June 30, 2019.

Quarter ended March 31, 2018. During the first quarter of 2018, we identified an indicator that certain long-lived assets used in the Canadian oil sands may be impaired due to market developments, including expected customer commitments, occurring in the first quarter of 2018. For purposes of our impairment assessment, we separated two lodges that were previously treated as a single asset group due to the lodges no longer being used together to generate joint cash flows. We assessed the carrying value of the asset group to determine if it continued to be recoverable based on estimated future cash flows. Based on the assessment, the carrying value was determined to not be fully recoverable, and we proceeded to compare the estimated fair value of the asset group to its respective carrying value. Accordingly, the value of a Canadian lodge was written down to its estimated fair value of zero. As a result of the analysis described above, we recorded an impairment expense of \$28.7 million.

7. ACQUISITIONS

Action

On July 1, 2019, we acquired Action Industrial Catering (Action), located in Perth, Australia. We funded the purchase price of \$16.9 million in cash through a combination of cash on hand and borrowings under our revolving credit facility. The acquisition expands our business by providing an entry point into the growing integrated services opportunities in the Western Australian remote mining market. Action's operations are reported as part of our Australian reportable business segment beginning on July 1, 2019, the date of acquisition, which is included in Food service and other services revenues.

This acquisition is accounted for in accordance with the acquisition method of accounting for business combinations, which requires us to record the assets acquired and the liabilities assumed at their fair values at July 1, 2019. Our estimates of the fair value for such assets and liabilities require significant assumptions and judgment. The purchase price allocation is preliminary and remains subject to adjustments, including, but not limited to, adjustments related to final working capital adjustments and the fair value of identifiable intangible assets acquired. Based on the preliminary purchase price allocation, intangible assets acquired totaled \$7.8 million and consisted primarily of customer contracts and a trade name. In addition, we recognized goodwill of \$8.1 million.

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Noralta

Description of Transaction. On April 2, 2018, we acquired the equity of Noralta Lodge Ltd. (Noralta), located in Alberta, Canada. The total consideration, which is subject to adjustment in accordance with the terms of the definitive agreement, included (i) C\$207.7 million (or approximately US\$161.2 million) in cash, subject to customary post-closing adjustments for working capital, indebtedness and transactions expenses, (ii) 32.8 million of our common shares, and (iii) 9,679 Class A Series 1 Preferred Shares (the Preferred Shares) with an initial liquidation preference of \$96.8 million and initially convertible into 29.3 million of our common shares. As a result of the Noralta acquisition, we expanded our existing accommodations business in the Canadian oil sands market. We funded the cash consideration with cash on hand and borrowings under our revolving credit facility.

During the first quarter of 2019, \$2.1 million in cash was released to us from escrow to cover certain agreed upon indemnification claims.

The Noralta acquisition was accounted for in accordance with the acquisition method of accounting for business combinations and, accordingly, the results of operations of Noralta were reported in our financial statements as part of our Canadian reportable business segment beginning on April 2, 2018, the date of acquisition.

Purchase Price Allocation. The application of purchase accounting under ASC 805 requires that the total purchase price be allocated to the fair value of assets acquired and liabilities assumed based on their fair values at April 2, 2018, with amounts exceeding the fair values being recorded as goodwill. The allocation process requires an analysis of acquired fixed assets, contracts, and contingencies to identify and record the fair value of all assets acquired and liabilities assumed. Our allocation of the purchase price, which we finalized in the first quarter of 2019, to specific assets and liabilities is based, in part, upon outside appraisals using customary valuation procedures and techniques. The following table summarizes the fair values of the assets acquired and liabilities assumed at April 2, 2018 (in thousands):

Cash and cash equivalents	\$	24
Accounts receivable (1)		21,456
Inventories		839
Other current assets		4,266
Property, plant and equipment		129,424
Goodwill		123,569
Intangible assets		110,736
Total assets acquired		<u>390,314</u>
Accounts payable and accrued liabilities		15,023
Income taxes payable		1,038
Other current liabilities		2,027
Deferred income taxes		51,543
Other noncurrent liabilities		5,133
Total liabilities assumed		<u>74,764</u>
Net assets acquired	\$	<u>315,550</u>

(1) The aggregate fair value of the acquired accounts receivable approximated the aggregate gross contractual amount.

Transaction Costs. During the three months ended September 30, 2018, we recognized \$0.5 million of costs in connection with the Noralta acquisition that are included in Service and other costs (\$0.2 million) and SG&A expenses (\$0.3 million). During the nine months ended September 30, 2018, we recognized \$7.0 million of costs in connection with the Noralta acquisition that are included in Service and other costs (\$0.3 million) and SG&A expenses (\$6.7 million).

Acadian Acres

On February 28, 2018, we acquired the assets of Lakeland, L.L.C. (Lakeland), located near Lake Charles, Louisiana, for total consideration of \$28.0 million, composed of \$23.5 million in cash and \$4.5 million of our common shares. The asset

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purchase agreement also includes potential future earn-out payments through December 2020 of up to 1.2 million Civeo common shares, based upon satisfaction of certain future revenue targets. The acquisition included a 400 room lodge, 40 acres of land and related assets. We funded the cash consideration with cash on hand. Lakeland's operations are reported as a new lodge location, Acadian Acres, in our U.S. reportable business segment.

This acquisition was accounted for as an asset acquisition based on the principles described in ASC 805, which provides a screen to determine when a set of transferred assets is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similarly identifiable assets, the set of transferred assets is not a business. Accordingly, we allocated the excess consideration over the fair value of the assets acquired to the acquired assets, pro rata, on the basis of relative fair values to increase the related assets acquired.

8. ASSETS HELD FOR SALE

During the fourth quarter of 2017, we made the decision to dispose of our modular construction and manufacturing plant near Edmonton, Alberta, Canada due to changing geographic and market needs. Accordingly, the facility met the criteria of held for sale. Its estimated fair value (less the cost to sell) exceeded its carrying value. Additionally, we have discontinued depreciation of the facility. The facility is part of our Canadian reportable business segment.

Certain undeveloped land positions in the British Columbia LNG market in our Canadian segment previously met the criteria of held for sale. During the first quarter of 2019, we received \$4.0 million in proceeds from the sale of four different land positions. The remaining assets are recorded at the estimated fair value (less costs to sell) of approximately \$1.7 million.

In addition, as a result of the Noralta acquisition, Noralta's corporate offices located on two adjacent property titles in Nisku, Alberta, Canada were closed. During the fourth quarter of 2018, we sold one property. The remaining property is recorded at the estimated fair value (less costs to sell) of approximately \$1.8 million and was the same value used in the purchase price allocation.

The following table summarizes the carrying amount as of September 30, 2019 and December 31, 2018 of the assets classified as held for sale (in thousands):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Assets held for sale:		
Property, plant and equipment, net	\$ 8,132	\$ 10,297
Total assets held for sale	<u>\$ 8,132</u>	<u>\$ 10,297</u>

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9. EARNINGS PER SHARE

We calculate basic and diluted earnings per share by applying the two-class method because we have participating securities in the form of Preferred Shares. Participating securities are allocated a proportional share of net income determined by dividing total weighted average participating securities by the sum of total weighted average common shares and participating securities. We also apply the treasury stock method with respect to certain share based awards in the calculation of diluted earnings per share, if dilutive.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Net income (loss) attributable to Civeo common shareholders	\$ 4,532	\$ (14,250)	\$ (28,276)	\$ (118,028)
Less: income allocated to participating securities	(653)	—	—	—
Basic net income (loss) attributable to Civeo Corporation common shareholders	\$ 3,879	\$ (14,250)	\$ (28,276)	\$ (118,028)
Add: undistributed income attributable to participating securities	653	—	—	—
Less: undistributed income reallocated to participating securities	(653)	—	—	—
Diluted net income (loss) attributable to Civeo Corporation common shareholders	<u>\$ 3,879</u>	<u>\$ (14,250)</u>	<u>\$ (28,276)</u>	<u>\$ (118,028)</u>
Denominator:				
Weighted average shares outstanding - basic	167,640	165,855	166,842	154,411
Dilutive shares - share based awards	2	—	—	—
Weighted average shares outstanding - diluted	<u>167,642</u>	<u>165,855</u>	<u>166,842</u>	<u>154,411</u>
Basic net income (loss) per share attributable to Civeo Corporation common shareholders (1)	\$ 0.02	\$ (0.09)	\$ (0.17)	\$ (0.76)
Diluted net income (loss) per share attributable to Civeo Corporation common shareholders (1)	\$ 0.02	\$ (0.09)	\$ (0.17)	\$ (0.76)

(1) Computations may reflect rounding adjustments.

For the three months ended September 30, 2019, we excluded 6.2 million share based awards from the computation of diluted earnings per share because their effect was anti-dilutive. 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. For the three months ended September 30, 2018 and the nine months ended September 30, 2019 and 2018, we excluded from the computation of diluted loss per share 10.9 million, 6.9 million and 10.2 million share based awards, respectively, since the effect would have been anti-dilutive. Additionally, for the nine months ended September 30, 2019 and the three and nine months ended September 30, 2018, we excluded from the calculation the impact of converting the Preferred Shares into 28.2 million and 29.6 million common shares, since the effect would have been anti-dilutive.

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10. DEBT

As of September 30, 2019 and December 31, 2018, long-term debt consisted of the following (in thousands):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Canadian term loan, which matures on November 30, 2021 (except for non-extending lenders - see below); 3.125% of aggregate principal repayable per quarter; weighted average interest rate of 5.8% for the nine-month period ended September 30, 2019	\$ 229,325	\$ 247,910
U.S. revolving credit facility, which matures on November 30, 2021 (except for non-extending lenders - see below), weighted average interest rate of 7.5% for the nine-month period ended September 30, 2019	10,000	—
Canadian revolving credit facility, which matures on November 30, 2021 (except for non-extending lenders - see below), weighted average interest rate of 6.7% for the nine-month period ended September 30, 2019	152,530	114,348
Australian revolving credit facility, which matures on November 30, 2021 (except for non-extending lenders - see below), weighted average interest rate of 5.4% for the nine-month period ended September 30, 2019	1,688	16,918
	<u>393,543</u>	<u>379,176</u>
Less: Unamortized debt issuance costs	2,467	2,939
Total debt	391,076	376,237
Less: Current portion of long-term debt, including unamortized debt issuance costs, net	34,372	33,329
Long-term debt, less current maturities	<u>\$ 356,704</u>	<u>\$ 342,908</u>

We did not have any capitalized interest to net against interest expense for the three or nine months ended September 30, 2019 or 2018.

Amended Credit Agreement

As of December 31, 2018, our Credit Agreement, as then amended, provided for: (i) a \$239.5 million revolving credit facility scheduled to mature on November 30, 2020, allocated as follows: (A) a \$20.0 million senior secured revolving credit facility in favor of certain of our U.S. subsidiaries, as borrowers; (B) a \$159.5 million senior secured revolving credit facility in favor of Civeo and certain of our Canadian subsidiaries, as borrowers; and (C) a \$60.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower; and (ii) a \$285.4 million term loan facility scheduled to mature on November 30, 2020 in favor of Civeo.

On September 30, 2019, the second amendment to the Credit Agreement (as so amended, the Amended Credit Agreement) became effective, which, among other things:

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- increased the aggregate revolving loan commitments by \$24.0 million under the Amended Credit Agreement, to a maximum principal amount of \$183.5 million under the Canadian revolving credit facility until November 30, 2020, which will be reduced thereafter as described below;
- extended the maturity date of the commitments and loans of certain lenders to November 30, 2021. Two lenders did not extend the maturity date of their commitments and loans. One non-extending lender has outstanding Canadian term loans of \$6.9 million, a Canadian revolving commitment of \$15.7 million and an Australian revolving commitment of \$10.4 million that matures on November 30, 2020. The other non-extending lender has a U.S. revolving commitment of \$7.4 million and a Canadian revolving commitment of \$22.5 million that matures on November 30, 2020; and
- adjusted the maximum leverage ratio financial covenant as follows:

If a qualified offering of indebtedness with gross proceeds in excess of \$150 million has been consummated, a maximum leverage ratio of 4.00 to 1.00 and, if such qualified offering has not been consummated, a maximum leverage ratio not to exceed the ratios set forth in the following table:

<u>Period Ended</u>	<u>Maximum Leverage Ratio</u>
September 30, 2019	4.25 : 1:00
December 31, 2019	4.00 : 1:00
March 31, 2020, June 30, 2020 & September 30, 2020	3.75 : 1:00
December 31, 2020 & thereafter	3.50 : 1:00

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 4.00%, or a base rate plus 1.25% to 3.00%, in each case based on a ratio of our total debt to consolidated EBITDA (as defined in the Amended Credit Agreement). Canadian dollar amounts outstanding bear interest at a variable rate equal to a B/A Discount Rate based on the Canadian Dollar Offered Rate plus a margin of 2.25% to 4.00%, or a Canadian Prime rate plus a margin of 1.25% to 3.00%, in each case based on a ratio of our total debt to consolidated EBITDA. Australian dollar amounts outstanding under the Amended Credit Agreement bear interest at a variable rate equal to the Bank Bill Swap Bid Rate plus a margin of 2.25% to 4.00%, based on a ratio of our total debt to consolidated EBITDA.

The Amended Credit Agreement contains customary affirmative and negative covenants that, among other things, limit or restrict: (i) 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 4.25 to 1.0 (as of September 30, 2019). As noted above, the permitted maximum leverage ratio changes over time. Following a qualified offering of indebtedness with gross proceeds in excess of \$150 million, we will be required to maintain a maximum senior secured ratio less than 2.50 to 1.0. 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, amortization of intangibles and other non-cash charges. We were in compliance with our covenants as of September 30, 2019.

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. As of September 30, 2019, we have ten lenders that were parties to the Amended Credit Agreement, with total commitments (including both revolving commitments and term commitments) ranging from \$24.9 million to \$85.4 million. As of September 30, 2019, we had outstanding letters of credit of \$0.3 million under the U.S. facility, \$0.5 million under the Australian facility and \$1.2 million under the Canadian facility.

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11. 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 21% to 30%. 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. Income taxes for any significant and unusual or extraordinary transactions are computed and recorded in the period in which the specific transaction occurs. As of September 30, 2019, the U.S. was considered a loss jurisdiction for tax accounting purposes and has been removed from the 2019 annual effective tax rate computation for purposes of computing the interim tax provision. As of September 30, 2018, the U.S. and Australia were considered loss jurisdictions for tax accounting purposes and were removed from the 2018 annual effective tax rate computation for purposes of computing the interim tax provision.

Our income tax benefit for the nine months ended September 30, 2019 totaled \$14.0 million, or 34.2% of pretax loss, compared to a benefit of \$29.4 million, or 30.0% of pretax loss, for the nine months ended September 30, 2018. Our effective tax rate for the nine months ended September 30, 2019 and 2018 was reduced approximately 3% and 5%, respectively, by the exclusion of loss jurisdictions for purposes of computing the interim tax provision. For the nine months ended September 30, 2019, the U.S. was considered a loss jurisdiction while for the nine months ended September 30, 2018, Australia and the U.S. were considered loss jurisdictions. Additionally, the effective tax rate for the three and nine months ended September 30, 2019 was impacted by a tax benefit of \$3.0 million related to a reduction in the Alberta, Canada income tax rate, as well as, a \$2.1 million tax benefit related to the change in the valuation allowance in Australia resulting from the acquisition of Action. The effective tax rate for the nine months ended September 30, 2018 was impacted by a tax benefit of \$4.9 million that was recorded in the second quarter 2018 to reverse a valuation allowance previously recorded in Canada.

Our income tax benefit for the three months ended September 30, 2019 totaled \$6.6 million, or 421.4% of pretax income, compared to a benefit of \$5.3 million, or 28.2% of pretax loss, for the three months ended September 30, 2018. As discussed above, our effective tax rate for the three months ended September 30, 2019 was impacted by a reduction in the Alberta, Canada income tax rate, as well as, a change in the valuation allowance in Australia resulting from the acquisition of Action. Our effective rate in 2018 was impacted by the relative mix of losses between Canada, Australia and the U.S., as Australia and the U.S., for purposes of computing the interim tax provision, are considered loss jurisdictions for tax accounting purposes. 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 provision.

12. 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.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Our accumulated other comprehensive loss increased \$5.6 million from \$371.2 million at December 31, 2018 to \$376.9 million at September 30, 2019, as a result of foreign currency exchange rate fluctuations. Changes in other comprehensive loss during the first nine months of 2019 were primarily driven by the Australian dollar decreasing in value compared to the U.S. dollar, partially offset by the 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\$0.3 billion and A\$0.4 billion, respectively, at September 30, 2019.

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14. LEASES

We have operating leases covering certain land locations and various office facilities and equipment in our three reportable business segments. Our leases have remaining lease terms of one year to nine years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 90 days.

The components of lease expense were \$1.9 million and \$1.8 million under operating leases during the three months ended September 30, 2019 and 2018, respectively. The components of lease expense were \$5.6 million and \$4.6 million under operating leases during the nine months ended September 30, 2019 and 2018, respectively. Included in the measurement of lease liabilities, we paid \$1.9 million and \$5.4 million in cash related to operating leases during the three and nine months ended September 30, 2019, respectively. Right-of-use assets obtained in exchange for new lease obligations related to operating leases during the three and nine months ended September 30, 2019 were zero and \$3.4 million, respectively.

Supplemental balance sheet information related to leases were as follows (in thousands):

	September 30, 2019
Operating leases	
Operating lease right-of-use assets	\$ 25,034
Other current liabilities	\$ 5,866
Operating lease liabilities	20,992
Total operating lease liabilities	<u>\$ 26,858</u>
Weighted average remaining lease term	
Operating leases	6.2 years
Weighted average discount rate	
Operating leases	5.9%

Maturities of operating lease liabilities at September 30, 2019, were as follows (in thousands):

For the years ending December 31,	
2019	\$ 1,901
2020	6,987
2021	4,975
2022	3,893
2023	3,238
Thereafter	11,222
Total lease payments	<u>32,216</u>
Less imputed interest	5,358
Total	<u>\$ 26,858</u>

15. SHARE-BASED COMPENSATION

Certain key 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, phantom share awards and dividend equivalents, awards of deferred shares, and share payments to our employees and non-employee directors. No more than 18.7 million Civeo common shares may be awarded under the Civeo Plan.

Outstanding Awards

Options. Compensation expense associated with options recognized in the three and nine month periods ended September 30, 2019 and 2018 totaled zero and less than \$0.1 million, respectively. There was no unrecognized compensation cost related to options.

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Restricted Share / Deferred Share Awards. On February 25, 2019, we granted 1,251,353 restricted share awards and deferred share awards under the Civeo Plan, which vest in three equal annual installments beginning on February 25, 2020. On May 16, 2019, we granted 449,100 restricted share awards and deferred share awards to our non-employee directors, which vest in their entirety on May 16, 2020.

Compensation expense associated with restricted share awards and deferred share awards recognized in the three months ended September 30, 2019 and 2018 totaled \$1.5 million and \$1.6 million, respectively. Compensation expense associated with restricted share awards and deferred share awards recognized in the nine months ended September 30, 2019 and 2018 totaled \$4.3 million and \$4.4 million, respectively. The total fair value of restricted share awards and deferred share awards that vested during the three months ended September 30, 2019 and 2018 was less than \$0.1 million and \$0.1 million, respectively. The total fair value of restricted share awards and deferred share awards that vested during the nine months ended September 30, 2019 and 2018 was \$4.0 million and \$3.4 million, respectively.

At September 30, 2019, unrecognized compensation cost related to restricted share awards and deferred share awards was \$6.8 million, which is expected to be recognized over a weighted average period of 1.6 years.

Phantom Share Awards. On February 25, 2019, we granted 1,144,407 phantom share awards under the Civeo Plan, which vest in three equal annual installments beginning on February 25, 2020. We also granted 270,870 phantom share awards under the Canadian Long-Term Incentive Plan, which vest in three equal annual installments beginning on February 25, 2020.

During the three months ended September 30, 2019 and 2018, we recognized compensation expense associated with phantom shares totaling \$0.1 million and \$2.1 million, respectively. During the nine months ended September 30, 2019 and 2018, we recognized compensation expense associated with phantom shares totaling \$3.5 million and \$8.2 million, respectively. At September 30, 2019, unrecognized compensation cost related to phantom shares was \$1.5 million, as remeasured at September 30, 2019, which is expected to be recognized over a weighted average period of 2.3 years.

Performance Awards. On February 25, 2019, we granted 1,184,599 performance awards under the Civeo Plan, which cliff vest in three years on February 25, 2022. 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 17 other companies.

During the three months ended September 30, 2019 and 2018, we recognized compensation expense associated with performance awards totaling \$1.1 million and \$1.2 million, respectively. During the nine months ended September 30, 2019 and 2018, we recognized compensation expense associated with performance awards totaling \$3.3 million and \$3.4 million, respectively. The total fair value of performance share awards that vested during the three and nine months ended September 30, 2019 was zero and \$10.1 million.

At September 30, 2019, unrecognized compensation cost related to performance shares was \$6.1 million, which is expected to be recognized over a weighted average period of 1.9 years.

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16. 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 hospitality services.

Financial information by business segment for each of the three and nine months ended September 30, 2019 and 2018 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, 2019					
Canada	\$ 91,071	\$ 18,219	\$ 2,919	\$ 2,851	\$ 843,818
Australia	47,743	9,576	4,662	675	279,386
United States	9,349	1,611	(2,167)	576	51,376
Corporate and eliminations	—	1,790	(2,538)	207	(163,757)
Total	<u>\$ 148,163</u>	<u>\$ 31,196</u>	<u>\$ 2,876</u>	<u>\$ 4,309</u>	<u>\$ 1,010,823</u>
Three months ended September 30, 2018					
Canada	\$ 76,753	\$ 19,198	\$ (7,603)	\$ 1,198	\$ 870,701
Australia	31,090	8,842	472	958	301,340
United States	12,648	3,015	(1,349)	270	58,574
Corporate and eliminations	—	3,413	(4,415)	297	(131,979)
Total	<u>\$ 120,491</u>	<u>\$ 34,468</u>	<u>\$ (12,895)</u>	<u>\$ 2,723</u>	<u>\$ 1,098,636</u>
Nine months ended September 30, 2019					
Canada	\$ 235,943	\$ 50,574	\$ (14,437)	\$ 19,294	\$ 843,818
Australia	107,160	29,401	(1,302)	2,508	279,386
United States	35,763	7,713	(4,484)	2,870	51,376
Corporate and eliminations	—	5,286	(6,850)	845	(163,757)
Total	<u>\$ 378,866</u>	<u>\$ 92,974</u>	<u>\$ (27,073)</u>	<u>\$ 25,517</u>	<u>\$ 1,010,823</u>
Nine months ended September 30, 2018					
Canada	\$ 226,661	\$ 54,954	\$ (55,342)	\$ 3,679	\$ 870,701
Australia	89,542	30,608	(3,793)	2,028	301,340
United States	35,969	7,482	(6,445)	2,168	58,574
Corporate and eliminations	—	6,458	(15,331)	791	(131,979)
Total	<u>\$ 352,172</u>	<u>\$ 99,502</u>	<u>\$ (80,911)</u>	<u>\$ 8,666</u>	<u>\$ 1,098,636</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 2019 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, 2018 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 hospitality services to the natural resources 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 hospitality 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, global commodity supply/demand dynamics and estimates of resource production. As a result, demand for our hospitality 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 customers. Pricing for WCS is driven by several factors, including the underlying price for West Texas Intermediate (WTI) crude, the availability of transportation infrastructure (consisting of pipelines and crude by railcar) and recent actions by the Alberta provincial government to limit oil production from the province. 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. Although prices began to increase in 2016 and continued to increase through the third quarter of 2018 due to

global oil production cuts rebalancing supply/demand dynamics, oil prices decreased again during the fourth quarter of 2018 as OPEC oil production ramped up once again despite more concerns of decreasing global oil demand. In the first half of 2019, positive oil price trends are primarily related to OPEC oil production falling faster than the markets expected, leading to a more positive oil environment throughout the first half of the year. Oil prices have fallen since early summer due to continued demand growth volatility and fear of a global economic slowdown.

WCS prices in the third quarter of 2019 averaged \$43.88 per barrel compared to a low of \$20.26 in the first quarter of 2016 and a high of \$49.93 in the second quarter of 2018. The WCS Differential decreased from \$15.75 per barrel at the end of the fourth quarter of 2018 to \$12.62 at the end of the third quarter 2019. On December 2, 2018, the Government of Alberta announced it would mandate temporary curtailments of the province's oil production and has extended the curtailment through 2020. This curtailment resulted in a narrowing WCS Differential in December 2018, which ended the year at \$15.75 per barrel, that has continued throughout 2019. As of October 21, 2019, the WTI price was \$53.31 and the WCS price was \$36.68, resulting in a WCS Differential of \$16.63.

There remains a risk that prices for Canadian oil sands crude oil related products could deteriorate 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 hospitality services. Although we have seen an increase in oil prices since late 2016 through the third quarter of 2019, we are not expecting significant improvement in customer activity in the near-term, partially due to the volatility in the WCS Differential discussed above. The current outlook for expansionary projects in Canada is primarily related to proposed pipeline and in-situ 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. Additionally, if oil prices decline, the resulting impact could negatively affect the value of our long-lived assets, including goodwill.

Our Sitka Lodge, within our Canadian business, supports the British Columbia liquefied natural gas (LNG) market and related pipeline projects. From a macroeconomic standpoint, global LNG imports set a record in 2018, reaching 308 million tonnes per annum, up from 284 million tonnes per annum in 2017, reinforcing the need for the global LNG industry to expand access to natural gas. Evolving government energy policies around the world have amplified support for cleaner energy supply, creating more opportunities for natural gas and LNG. Accordingly, the current view is additional investment in LNG supply will be needed to meet the expected long-term LNG demand growth.

Currently, Western Canada does not have any operational LNG export facilities. On October 1, 2018, LNG Canada (LNGC), a large LNG export project proposed by a joint venture between Shell Canada Energy, an affiliate of Royal Dutch Shell plc (40 percent), and affiliates of PETRONAS, through its wholly-owned entity, North Montney LNG Limited Partnership (25 percent), PetroChina (15 percent), Mitsubishi Corporation (15 percent) and Korea Gas Corporation (5 percent), announced that a positive final investment decision (FID) had been reached on the proposed Kitimat liquefaction and export facility in Kitimat, British Columbia (Kitimat LNG Facility). With the project moving forward, British Columbia LNG activity and related pipeline projects 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.

Our U.S. business supports oil shale drilling and completion activity and is primarily tied to WTI oil prices in the U.S. shale formations in West Texas, the mid Continent, the Bakken and the Rockies. With the recovery in oil prices through the third quarter of 2018, coupled with ample capital availability for U.S. E&P companies, oil shale drilling and completion activity in the U.S. significantly increased in 2018. The U.S. oil rig count has increased from its low of 316 rigs in May 2016 to over 885 during 2018, and 713 rigs were active at the end of the third quarter of 2019. Further, this activity in the U.S. increased oil production from an average of 9.3 million barrels per day in 2017 to an average of 11.0 million barrels per day in 2018 and a year-to-date average of 11.9 million barrels per day through July 2019. With the fall in WTI oil prices in the fourth quarter of 2018 and a call by investors for U.S. E&P companies to generate free cash flow, the U.S. rig count has drifted lower. As of October 18, 2019, there were 713 active oil rigs in the U.S. (as measured by Bakerhughes.com). U.S. oil shale drilling and completion activity will continue to be dependent on sustained higher WTI oil prices, pipeline capacity 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 4.4% during the first eight months of 2019 compared to the corresponding period in 2018.

As of October 21, 2019, met coal spot prices were \$153.95 per metric tonne. Current met coal pricing levels have not led our customers to approve many significant new projects. We expect that customers will look for a period of sustained higher prices before the volume of new projects being approved increases. 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.

On July 1, 2019, we completed the acquisition of Action Industrial Catering (Action), a provider of catering and managed services to the remote mining industry in Western Australia. The acquisition enhances our service offering, geographic footprint and exposure to new commodities in Australia and underlines our focus on pursuing growth opportunities that fit within our core competencies and strategic direction. Activity in Western Australia is driven primarily by iron ore production, which is a key steelmaking ingredient. As of October 17, 2019, iron ore spot prices were \$90.01 per metric tonne.

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 10/21/2019	\$ 53.23	\$ 37.68	\$ 178.00
9/30/2019	56.40	43.88	178.00
6/30/2019	59.89	47.39	207.00
3/31/2019	54.87	44.49	210.00
12/31/2018	59.32	25.66	187.00
9/30/2018	69.61	41.58	196.00
6/30/2018	67.97	49.93	196.00
3/31/2018	62.89	37.09	235.00
12/31/2017	55.28	38.65	192.00
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

(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 hospitality 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 natural 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 75% of our revenue is generated by our lodges and villages. Where traditional accommodations and infrastructure are insufficient, inaccessible or cost ineffective, our lodge and village facilities provide comprehensive hospitality 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.

During the period of low crude oil prices that extended through the first quarter of 2016, many of our customers in Canada curtailed their operations and spending, and most major oil sands mining operators began reducing their costs and limiting capital spending, thereby limiting the demand for hospitality services of the kind we provide.

In the last several years, 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 spot oil prices and future oil price expectations, certain operators with steam-assisted gravity drainage operations in the Canadian oil sands increased capital spending in 2017. Despite construction at the Fort Hill Energy LP project ending in early 2018, Canadian oil sands capital spending in 2018 was relatively flat, in the aggregate. OPEC announced additional production cuts in late 2018 in an effort to further support global oil prices. Also, on December 2, 2018, the Government of Alberta announced it would mandate temporary curtailments of the province's oil production, which has helped increase WCS prices. 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. However, these projects have been delayed due to the lack of agreement between the Canadian federal government, which supports the pipeline projects, and the British Columbia provincial government. The Canadian federal government recently acquired Kinder Morgan's Trans Mountain Pipeline, emphasizing their support for this particular project. Despite some resistance, the federal government approved the expansion of the Trans Mountain Pipeline project on June 18, 2019 and is currently working through the construction timeline. 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, approximately 80% of our owned 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. On July 1, 2019, we acquired Action, located in Perth, Australia. The acquisition expands our business by providing an entry point into the growing integrated services opportunities in the Western Australian remote mining market. Accordingly, we also have contracts in place for client owned villages in Western Australia which service iron ore, gold, lithium and nickel mines. 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 hospitality services, we do not expect an immediate improvement in our business. Accordingly, we plan to continue focusing on enhancing the quality of our operations, maintaining financial discipline, proactively managing our business as market conditions continue to evolve and integrating the recently acquired Noralta assets into our business.

We began the expansion of our room count in Kitimat, British Columbia during the second half of 2015 to support potential LNG projects on the west coast of British Columbia. We were awarded a contract with LNGC for the provision of open lodge rooms and associated services that ran through October 2017. To support this contract, we developed a new accommodations facility, Sitka Lodge, which includes private washrooms, recreational facilities and other amenities. The lodge had 774 rooms as of the end of 2018. Expansion of the facility was completed in the third quarter of 2019, which resulted in 1,186 total available rooms.

As previously discussed, on October 1, 2018, LNGC's participants announced a positive FID on the Kitimat LNG Facility. With the project moving forward, British Columbia LNG activity and related pipeline projects could become a material driver of future activity for our Sitka Lodge, as well as for our mobile camp assets, which are well suited for the related pipeline construction activity. We previously announced contract awards for locations along the CGL pipeline project and room commitments for our Sitka Lodge. The actual timing of when revenue is realized from the CGL pipeline and Sitka Lodge contracts could be impacted by any delays in the construction of the Kitimat LNG Facility.

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 / losses are translated into U.S. dollars for U.S. GAAP financial reporting purposes. The following tables summarize the fluctuations in the exchange rates between the U.S. dollar and each of the Canadian dollar and the Australian dollar:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019	2018	Change	Percentage	2019	2018	Change	Percentage
Average Canadian dollar to U.S. dollar	\$0.757	\$0.765	(0.008)	(1.0)%	\$0.752	\$0.777	(0.025)	(3.2)%
Average Australian dollar to U.S. dollar	\$0.686	\$0.731	(0.045)	(6.2)%	\$0.699	\$0.758	(0.059)	(7.8)%

	As of			
	September 30, 2019	December 31, 2018	Change	Percentage
Canadian dollar to U.S. dollar	\$0.755	\$0.733	0.022	3.0%
Australian dollar to U.S. dollar	\$0.675	\$0.705	(0.030)	(4.3)%

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 and met coal and the resultant impact on the capital spending plans of our customers in order to plan our business activities. We currently expect that our 2019 capital expenditures, exclusive of any business acquisitions, will total approximately \$33 million to \$37 million, compared to 2018 capital expenditures of \$17.1 million. Please see "Liquidity and Capital Resources" below for further discussion of 2019 capital expenditures.

Results of Operations

Unless otherwise indicated, discussion of results for the three and nine months ended September 30, 2019, is based on a comparison to the corresponding periods of 2018.

Results of Operations – Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

	Three Months Ended September 30,		
	2019	2018	Change
(\$ in thousands)			
Revenues			
Canada	\$ 91,071	\$ 76,753	\$ 14,318
Australia	47,743	31,090	16,653
United States and other	9,349	12,648	(3,299)
Total revenues	148,163	120,491	27,672
Costs and expenses			
Cost of sales and services			
Canada	62,277	56,819	5,458
Australia	28,664	15,207	13,457
United States and other	8,539	10,201	(1,662)
Total cost of sales and services	99,480	82,227	17,253
Selling, general and administrative expenses	14,334	16,854	(2,520)
Depreciation and amortization expense	31,196	34,468	(3,272)
Impairment expense	—	—	—
Other operating expense (income)	277	(163)	440
Total costs and expenses	145,287	133,386	11,901
Operating income (loss)	2,876	(12,895)	15,771
Interest expense and income, net	(7,298)	(6,388)	(910)
Other income	2,849	412	2,437
Loss before income taxes	(1,573)	(18,871)	17,298
Income tax benefit	6,629	5,330	1,299
Net income (loss)	5,056	(13,541)	18,597
Less: Net income attributable to noncontrolling interest	60	97	(37)
Net income (loss) attributable to Civeo Corporation	4,996	(13,638)	18,634
Dividends attributable to preferred shares	464	612	(148)
Net income (loss) attributable to Civeo common shareholders	\$ 4,532	\$ (14,250)	\$ 18,782

We reported net income attributable to Civeo for the quarter ended September 30, 2019 of \$4.5 million, or \$0.02 per diluted share. As further discussed below, net income included a gain on sale of assets related to the sale of a village in Australia and related \$2.2 million release of an asset retirement obligation (ARO) liability assumed by the buyer.

We reported net loss attributable to Civeo for the quarter ended September 30, 2018 of \$14.3 million, or \$0.09 per diluted share. As further discussed below, net loss included costs totaling \$0.5 million (\$0.4 million after-tax, or \$0.00 per diluted share) incurred in connection with the acquisition of Noralta Lodge Ltd. (Noralta), primarily included in SG&A expense below.

Revenues. Consolidated revenues increased \$27.7 million, or 23%, in the third quarter of 2019 compared to the third quarter of 2018. This increase was primarily due to increases in Canada due to (1) higher room demand at both our Sitka Lodge related to an LNG project and our core oil sands lodges related to large client turnaround projects, (2) increased food services activity due to a new contract and (3) increased mobile facility activity due to the commencement of a pipeline project. In addition, revenues increased in Australia due to the Action acquisition completed on July 1, 2019 and higher occupancy related to maintenance activity at our Bowen Basin villages. These items were partially offset by lower activity levels in certain markets in the U.S. Additionally, weaker Canadian and Australian dollars relative to the U.S. dollar in the third quarter of 2019

compared to the third quarter of 2018 contributed to decreased revenues. Please see the discussion of segment results of operations below for further information.

Cost of Sales and Services. Our consolidated cost of sales increased \$17.3 million, or 21%, in the third quarter of 2019 compared to the third quarter of 2018, primarily due to the Action acquisition and higher activity levels at our Bowen Basin villages in Australia. In addition, increased cost of sales was driven by higher room demand at both our Sitka Lodge and our core oil sands lodges, increased food services activity and increased mobile facility activity in Canada. These items were partially offset by decreased activity levels in certain U.S. markets. Additionally, weaker Canadian and Australian dollars relative to the U.S. dollar in the third quarter of 2019 compared to the third quarter of 2018 contributed to decreased cost of sales and services. Please see the discussion of segment results of operations below for further description.

Selling, General and Administrative Expenses. SG&A expense decreased \$2.5 million, or 15%, in the third quarter of 2019 compared to the third quarter of 2018. This decrease was primarily due to lower professional fees (in part related to lower fees incurred in connection with the Action acquisition in the third quarter of 2019 compared to those incurred in connection with the Noralta acquisition in the third quarter of 2018) and lower share-based compensation expense. The decrease in share-based compensation was largely due to a reduction in the amount of phantom share awards outstanding during the third quarter of 2019. These items were partially offset by higher incentive compensation costs.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased \$3.3 million, or 9%, in the third quarter of 2019 compared to the third quarter of 2018. The decrease was due to certain assets and intangibles becoming fully depreciated during 2018 and the first half of 2019 as well as weaker Canadian and Australian dollars relative to the U.S. dollar in the third quarter of 2019 compared to the third quarter of 2018. This was partially offset by the acceleration of depreciation expense for the shortened useful life of a Canadian lodge.

Operating Income (Loss). Consolidated operating income (loss) increased \$15.8 million, or 122%, in the third quarter of 2019 compared to the third quarter of 2018, primarily due to increased activity levels in Canada and Australia as well as lower SG&A and depreciation and amortization expense.

Interest Expense and Interest Income, net. Net interest expense increased by \$0.9 million, or 14%, in the third quarter of 2019 compared to the third quarter of 2018, primarily related to higher interest rates on term loan and revolving credit facility borrowings and higher revolving credit facility borrowings, partially offset by lower term loan borrowings.

Other Income. Consolidated other income increased \$2.4 million, or 592%, in the third quarter of 2019 compared to the third quarter of 2018, primarily due to a gain on sale of assets related to the sale of a village in Australia and related \$2.2 million release of an ARO liability assumed by the buyer.

Income Tax Benefit. Our income tax benefit for the three months ended September 30, 2019 totaled \$6.6 million, or 421.4% of pretax income, compared to a benefit of \$5.3 million, or 28.2% of pretax loss, for the three months ended September 30, 2018. Our effective tax rate for the three months ended September 30, 2019 was impacted by a tax benefit of \$3.0 million related to a reduction in the Alberta, Canada income tax rate as well as a \$2.1 million tax benefit related to the change in the valuation allowance in Australia resulting from the acquisition of Action. Our effective rate in 2018 was impacted by the relative mix of losses between Canada, Australia and the U.S., as Australia and the U.S., for purposes of computing the interim tax provision, are considered loss jurisdictions for tax accounting purposes. 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 provision.

Other Comprehensive Income (Loss). Other comprehensive loss increased \$10.8 million in the third quarter of 2019 compared to the third quarter of 2018, 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 decreased 1% in the third quarter of 2019 compared to a 2% increase in the third quarter of 2018. The Australian dollar exchange rate compared to the U.S. dollar decreased 4% in the third quarter of 2019 compared to a 2% decrease in the third quarter of 2018.

Segment Results of Operations – Canadian Segment

	Three Months Ended September 30,		
	2019	2018	Change
Revenues (\$ in thousands)			
Accommodation revenue (1)	\$ 79,939	\$ 72,991	\$ 6,948
Mobile facility rental revenue (2)	3,048	135	2,913
Food service and other services revenue (3)	8,084	3,627	4,457
Total revenues	\$ 91,071	\$ 76,753	\$ 14,318
Cost of sales and services (\$ in thousands)			
Accommodation cost	\$ 49,377	\$ 48,394	\$ 983
Mobile facility rental cost	2,059	834	1,225
Food service and other services cost	7,319	3,624	3,695
Indirect other costs	3,522	3,967	(445)
Total cost of sales and services	\$ 62,277	\$ 56,819	\$ 5,458
Gross margin as a % of revenues	31.6%	26.0%	5.6%
Average daily rate for lodges (4)	\$ 91	\$ 89	\$ 2
Total billed rooms for lodges (5)	875,891	816,295	59,596
Average Canadian dollar to U.S. dollar	\$ 0.757	\$ 0.765	\$ (0.008)

- (1) Includes revenues related to lodge rooms and hospitality services for owned rooms for the periods presented.
- (2) Includes revenues related to mobile camps for the periods presented.
- (3) Includes revenues related to food services, laundry and water and wastewater treatment services for the periods presented.
- (4) Average daily rate is based on billed rooms and accommodation revenue.
- (5) Billed rooms represent total billed days for the periods presented.

Our Canadian segment reported revenues in the third quarter of 2019 that were \$14.3 million, or 19%, higher than the third quarter of 2018. The weakening of the average exchange rates for the Canadian dollar relative to the U.S. dollar by 1% in the third quarter of 2019 compared to the third quarter of 2018 resulted in a \$1.1 million period-over-period decrease in revenues. Excluding the impact of the weaker Canadian exchange rates, the segment experienced an 11% increase in accommodation revenue. This increase was driven by higher room demand at both our Sitka Lodge related to an LNG project and our core oil sands lodges related to large client turnaround projects. These items were partially offset by the continued impact of provincially imposed oil production curtailments. In addition, total revenues increased due to (1) increased food services activity related to a new contract with an oil sands customer and (2) increased mobile facility activity resulting from the commencement of a pipeline project.

Our Canadian segment cost of sales and services increased \$5.5 million, or 10%, in the third quarter of 2019 compared to the third quarter of 2018. The weakening of the average exchange rates for the Canadian dollar relative to the U.S. dollar by 1% in the third quarter of 2019 compared to the third quarter of 2018 resulted in a \$0.7 million period-over-period decrease in cost of sales and services. Excluding the impact of the weaker Canadian exchange rates, the increased cost of sales and services was driven by higher room demand at both our Sitka Lodge and our core oil sands lodges, increased food services activity and increased mobile facility activity.

Our Canadian segment gross margin as a percentage of revenues increased from 26% in the third quarter of 2018 to 32% in the third quarter of 2019. This was primarily driven by increased operating efficiencies due to higher occupancy percentages.

Segment Results of Operations – Australian Segment

	Three Months Ended September 30,		
	2019	2018	Change
Revenues (\$ in thousands)			
Accommodation revenue (1)	\$ 33,056	\$ 30,679	\$ 2,377
Food service and other services revenue (2)	14,687	411	14,276
Total revenues	\$ 47,743	\$ 31,090	\$ 16,653
Cost of sales (\$ in thousands)			
Accommodation cost	\$ 14,954	\$ 14,199	\$ 755
Food service and other services cost	12,807	365	12,442
Indirect other cost	903	643	260
Total cost of sales and services	\$ 28,664	\$ 15,207	\$ 13,457
Gross margin as a % of revenues	40.0%	51.1%	(11.1)%
Average daily rate for villages (3)	\$ 73	\$ 77	\$ (4)
Total billed rooms for villages (4)	454,859	396,747	58,112
Australian dollar to U.S. dollar	\$ 0.686	\$ 0.731	\$ (0.045)

(1) Includes revenues related to village rooms and hospitality services for owned rooms for the periods presented.

(2) Includes revenues related to food services and other services, including facilities management for the periods presented.

(3) Average daily rate is based on billed rooms and accommodation revenue.

(4) Billed rooms represent total billed days for the periods presented.

Our Australian segment reported revenues in the third quarter of 2019 that were \$16.7 million, or 54%, higher than the third quarter of 2018. Action contributed \$14.7 million in revenues in the third quarter of 2019. The weakening of the average exchange rates for Australian dollars relative to the U.S. dollar by 6% in the third quarter of 2019 compared to the third quarter of 2018 resulted in a \$2.2 million period-over-period decrease in revenues and a \$4 reduction in the average daily rate. Excluding the impact of the weaker Australian exchange rates, the Australian segment experienced a 64% increase in accommodation revenue due to increased activity at our Bowen Basin villages partially offset by decreased activity at our Gunnedah Basin and Western Australia villages.

Our Australian segment cost of sales increased \$13.5 million, or 88%, in the third quarter of 2019 compared to the third quarter of 2018. The increase was primarily driven by the Action acquisition and increased activity at our Bowen Basin villages, partially offset by the weakening of the Australian dollar.

Our Australian segment gross margin as a percentage of revenues decreased to 40% in the third quarter of 2019 from 51% in the third quarter of 2018. This was primarily driven by Action, which has a service-only business model and therefore results in lower overall gross margins than the accommodation business.

Segment Results of Operations – U.S. Segment

	Three Months Ended September 30,		
	2019	2018	Change
Revenues (\$ in thousands)	\$ 9,349	\$ 12,648	\$ (3,299)
Cost of sales (\$ in thousands)	\$ 8,539	\$ 10,201	\$ (1,662)
Gross margin as a % of revenues	8.7%	19.3%	(10.7)%

Our U.S. segment reported revenues in the third quarter of 2019 that were \$3.3 million, or 26%, lower than the third quarter of 2018. This was primarily due to reduced activity at our West Permian and Acadian Acres lodges and lower revenues from our offshore business resulting from lower project activity. These items were partially offset by greater U.S. drilling and completion activity in the Bakken, Rockies, mid Continent and Texas markets benefiting our wellsite business.

Our U.S. segment cost of sales decreased \$1.7 million, or 16%, in the third quarter of 2019 compared to the third quarter of 2018. The decrease was driven by reduced activity in our offshore and lodge businesses partially offset by higher cost of sales in the wellsite business related to greater activity.

Our U.S. segment gross margin as a percentage of revenues decreased from 19% in the third quarter of 2018 to 9% in the third quarter of 2019 primarily due to reduced activity in our offshore and lodge businesses partially offset by greater U.S. drilling and completion activity in the Bakken, Rockies, mid Continent and Texas markets benefiting our wellsite business.

Results of Operations – Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

	Nine Months Ended September 30,		
	2019	2018	Change
	(\$ in thousands)		
Revenues			
Canada	\$ 235,943	\$ 226,661	\$ 9,282
Australia	107,160	89,542	17,618
United States and other	35,763	35,969	(206)
Total revenues	378,866	352,172	26,694
Costs and expenses			
Cost of sales and services			
Canada	176,200	172,272	3,928
Australia	59,718	45,889	13,829
United States and other	28,432	31,222	(2,790)
Total cost of sales and services	264,350	249,383	14,967
Selling, general and administrative expenses	42,960	55,189	(12,229)
Depreciation and amortization expense	92,974	99,502	(6,528)
Impairment expense	5,546	28,661	(23,115)
Other operating expense (income)	109	348	(239)
Total costs and expenses	405,939	433,083	(27,144)
Operating loss	(27,073)	(80,911)	53,838
Interest expense and income, net	(20,604)	(19,985)	(619)
Other income	6,882	2,923	3,959
Loss before income taxes	(40,795)	(97,973)	57,178
Income tax benefit	13,963	29,386	(15,423)
Net loss	(26,832)	(68,587)	41,755
Less: Net income attributable to noncontrolling interest	60	341	(281)
Net loss attributable to Civeo Corporation	(26,892)	(68,928)	42,036
Dividends attributable to preferred shares	1,384	49,100	(47,716)
Net loss attributable to Civeo common shareholders	\$ (28,276)	\$ (118,028)	\$ 89,752

We reported net loss attributable to Civeo for the nine months ended September 30, 2019 of \$28.3 million, or \$0.17 per diluted share. As further discussed below, net loss included (1) a \$5.5 million pre-tax loss (\$5.5 million after-tax, or \$0.03 per diluted share) resulting from the impairment of fixed assets included in Impairment expense, (2) a gain on sale of assets related to the sale of a village in Australia and related \$2.2 million release of an ARO liability assumed by the buyer.

We reported net loss attributable to Civeo for the nine months ended September 30, 2018 of \$118.0 million, or \$0.76 per diluted share. As further discussed below, net loss included (1) a \$28.7 million pre-tax loss (\$20.9 million after-tax, or \$0.16 per diluted share) resulting from the impairment of fixed assets included in Impairment expense, (2) costs totaling \$7.0 million (\$6.3 million after-tax, or \$0.04 per diluted share) incurred in connection with the Noralta acquisition, primarily included in SG&A expense below, and (3) \$49.1 million of dividends attributable to the preferred shares issued in the Noralta acquisition.

Revenues. Consolidated revenues increased \$26.7 million in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. This increase was primarily due to increases in Canada due to increased food service and other services revenue and higher room demand at our Sitka Lodge related to an LNG project, partially offset by lower room demand related to the continued impact of provincially imposed oil production curtailments. In addition, increased revenues in Australia were due to the Action acquisition completed on July 1, 2019 and higher activity levels at our Bowen Basin villages. These items were partially offset by lower activity levels in certain markets in the U.S. Additionally, weaker Canadian and Australian dollars relative to the U.S. dollar in 2019 compared to 2018 contributed to decreased revenues. Please see the discussion of segment results of operations below for further information.

Cost of Sales and Services. Our consolidated cost of sales increased \$15.0 million, or 6%, in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, primarily due to the Action acquisition and higher activity levels in certain markets in Australia. In addition, increased cost of sales and services in Canada was driven by increased food services activity and the Noralta acquisition in the second quarter of 2018. This was partially offset by reduced mobile facility rental cost of sales in Canada and reduced activity in our offshore business in the U.S. Additionally, weaker Canadian and Australian dollars relative to the U.S. dollar in 2019 compared to 2018 contributed to decreased cost of sales and services. Please see the discussion of segment results of operations below for further description.

Selling, General and Administrative Expenses. SG&A expense decreased \$12.2 million, or 22%, in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. This decrease was primarily due to lower costs incurred in connection with the Noralta acquisition, lower incentive compensation costs and lower share-based compensation expense. The decrease in share-based compensation was largely due to a reduction in the amount of phantom share awards outstanding during the nine months ended September 30, 2019.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased \$6.5 million, or 7% in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. Decreases are due to (1) certain assets and intangibles becoming fully depreciated during 2018, (2) reduced depreciation expense resulting from impairments recorded in 2018 and (3) weaker Canadian and Australian dollars relative to the U.S. dollar in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. These items were partially offset by additional property, plant and equipment acquired through acquisitions in 2018 and the third quarter of 2019, as well as incremental intangible amortization expense related to our acquisitions.

Impairment Expense. We recorded pre-tax impairment expense of \$5.5 million in the second quarter of 2019 associated with long-lived assets in our Australian segment. This includes \$1.0 million of impairment expense related to an error corrected in the second quarter 2019. We identified a liability related to an ARO at one of our villages in Australia that should have been recorded in 2011. We determined that the error was not material to our previously issued financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, and therefore, corrected the error in the second quarter of 2019. Specifically, we recorded the following amounts in our second quarter 2019 unaudited consolidated statements of operations related to prior periods: (1) additional accretion expense related to the ARO of \$0.9 million, (2) additional depreciation and amortization expense of \$0.5 million related to amortization of the asset retirement cost and (3) additional impairment expense related to the impairment of the asset retirement cost of \$1.0 million offset by recognition of an ARO liability totaling \$2.3 million as of June 30, 2019.

We recorded pre-tax impairment expense of \$28.7 million in the first quarter of 2018 associated with long-lived assets in our Canadian segment.

Please see Note 6 - Impairment Charges and Asset Retirement Obligations to the notes to the unaudited consolidated financial statements included in Item 1 of this quarterly report for further discussion.

Operating Loss. Consolidated operating loss decreased \$53.8 million, or 67%, in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, primarily due to lower impairment, SG&A and depreciation and amortization expenses and increased activity levels in certain Canadian, Australian and U.S. markets.

Interest Expense and Interest Income, net. Net interest expense increased by \$0.6 million, or 3%, in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, primarily related to higher average debt levels and higher interest rates on term loan and revolving credit facility borrowings in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, partially offset by the 2018 write-off of \$0.7 million of debt issuance costs associated with our Credit Agreement as then amended.

Other Income. Consolidated other income increased \$4.0 million, or 135%, in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, primarily due to \$2.6 million of other income for proceeds received in the first half of 2019 from a property damage and business interruption insurance claim related to the closure of a lodge in 2018 for maintenance-related operational issues. In addition, a higher gain on sale of assets in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 was related to the sale of a village in Australia and related \$2.2 million release of an ARO liability assumed by the buyer during the nine months ended September 30, 2019.

Income Tax Benefit. Our income tax benefit for the nine months ended September 30, 2019 totaled \$14.0 million, or 34.2% of pretax loss, compared to a benefit of \$29.4 million, or 30.0% of pretax loss, for the nine months ended September 30, 2018. For the nine months ended September 30, 2019, the U.S. was considered a loss jurisdiction while for the nine months ended September 30, 2018, Australia and the U.S. were considered loss jurisdictions. Additionally, the effective tax rate for the nine months ended September 30, 2019 was impacted by a tax benefit of \$3.0 million related to a reduction in the Alberta, Canada income tax rate, as well as, a \$2.1 million tax benefit related to the change in the valuation allowance in Australia resulting from the acquisition of Action. The effective tax rate for the nine months ended September 30, 2019 was impacted by a tax benefit of \$4.9 million that was recorded in the second quarter 2018 to reverse a valuation allowance previously recorded in Canada.

Other Comprehensive Income (Loss). Other comprehensive loss decreased \$20.0 million in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, 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 3% in the nine months ended September 30, 2019 compared to a 3% decrease in the nine months ended September 30, 2018. The Australian dollar exchange rate compared to the U.S. dollar decreased 4% in the nine months ended September 30, 2019 compared to a 7% decrease in the nine months ended September 30, 2018.

Segment Results of Operations – Canadian Segment

	Nine Months Ended September 30,		
	2019	2018	Change
Revenues (\$ in thousands)			
Accommodation revenue (1)	\$ 203,774	\$ 204,258	\$ (484)
Mobile facility rental revenue (2)	5,648	10,036	(4,388)
Food service and other services revenue (3)	25,507	11,082	14,425
Manufacturing revenue (4)	1,014	1,285	(271)
Total revenues	\$ 235,943	\$ 226,661	\$ 9,282
Cost of sales and services (\$ in thousands)			
Accommodation cost	\$ 137,140	\$ 139,052	\$ (1,912)
Mobile facility rental cost	4,735	10,438	(5,703)
Food service and other services cost	23,620	10,321	13,299
Manufacturing cost	1,007	1,672	(665)
Indirect other cost	9,698	10,789	(1,091)
Total cost of sales and services	\$ 176,200	\$ 172,272	\$ 3,928
Gross margin as a % of revenues	25.3%	24.0%	1.3%
Average daily rate for lodges (5)	\$ 91	\$ 88	\$ 3
Total billed rooms for lodges (6)	2,241,510	2,320,012	(78,502)
Average Canadian dollar to U.S. dollar	\$ 0.752	\$ 0.777	\$ (0.025)

- (1) Includes revenues related to lodge rooms and hospitality services for owned rooms for the periods presented.
- (2) Includes revenues related to mobile camps for the periods presented.
- (3) Includes revenues related to food services, laundry and water and wastewater treatment services for the periods presented.
- (4) Includes revenues related to modular construction and manufacturing services for the periods presented.
- (5) Average daily rate is based on billed rooms and accommodation revenue.
- (6) Billed rooms represent total billed days for the periods presented.

Our Canadian segment reported revenues in the nine months ended September 30, 2019 that were \$9.3 million, or 4%, higher than the nine months ended September 30, 2018. The weakening of the average exchange rates for the Canadian dollar relative to the U.S. dollar by 3% in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 resulted in a \$7.3 million period-over-period decrease in revenues. Excluding the impact of the weaker Canadian exchange rates, the segment experienced a 3% increase in accommodation revenue. This increase was driven by higher room demand at our Sitka Lodge related to an LNG project and the Noralta acquisition in the second quarter of 2018, partially offset by lower room demand during 2019 from major customers in our core oil sands lodges. This lower room demand was related to a reduced impact of large client turnaround projects and the continued impact of provincially imposed oil production curtailments. Additionally, increased food services activity due to a new contract with an oil sands customer was partially offset by reduced mobile facility rental revenue as 2018 included pipeline project revenue for a longer period than 2019.

Our Canadian segment cost of sales and services increased \$3.9 million, or 2%, in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. The weakening of the average exchange rates for the Canadian dollar relative to the U.S. dollar by 3% in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 resulted in a \$5.6 million period-over-period decrease in cost of sales and services. Excluding the impact of the weaker Canadian exchange rates, the increased cost of sales and services was driven by increased food services activity, partially offset by reduced accommodation cost of sales and mobile facility rental cost of sales as 2018 included pipeline related project costs for a longer period than 2019.

Our Canadian segment gross margin as a percentage of revenues increased from 24% in the nine months ended September 30, 2018 to 25% in the nine months ended September 30, 2019. This was primarily driven by an increase to the average daily rate due to an increase in billed rooms at our Sitka Lodge, which is at a higher daily rate.

Segment Results of Operations – Australian Segment

	Nine Months Ended September 30,		
	2019	2018	Change
Revenues (\$ in thousands)			
Accommodation revenue (1)	\$ 92,473	\$ 88,343	\$ 4,130
Food service and other services revenue (2)	14,687	1,199	13,488
Total revenues	\$ 107,160	\$ 89,542	\$ 17,618
Cost of sales (\$ in thousands)			
Accommodation cost	\$ 44,816	\$ 42,942	\$ 1,874
Food service and other services cost	12,807	1,025	11,782
Indirect other cost	2,095	1,922	173
Total cost of sales and services	\$ 59,718	\$ 45,889	\$ 13,829
Gross margin as a % of revenues	44.3%	48.8%	(4.5)%
Average daily rate for villages (3)	\$ 74	\$ 79	\$ (5)
Total billed rooms for villages (4)	1,253,856	1,114,695	139,161
Australian dollar to U.S. dollar	\$ 0.699	\$ 0.758	\$ (0.059)

- (1) Includes revenues related to village rooms and hospitality services for owned rooms for the periods presented.
- (2) Includes revenues related to food services and other services, including facilities management for the periods presented.
- (3) Average daily rate is based on billed rooms and accommodation revenue.
- (4) Billed rooms represent total billed days for the periods presented.

Our Australian segment reported revenues in the nine months ended September 30, 2019 that were \$17.6 million, or 20%, higher than the nine months ended September 30, 2018. The weakening of the average exchange rates for Australian dollars relative to the U.S. dollar by 8% in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 resulted in a \$7.6 million period-over-period decrease in revenues and a \$5 reduction in the average daily rate. Excluding the impact of the weaker Australian exchange rates, the Australian segment experienced a 30% increase in revenues due to the Action acquisition and increased activity at our Bowen Basin villages, partially offset by decreased activity at our Gunnedah Basin villages.

Our Australian segment cost of sales increased \$13.8 million, or 30%, in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. The increase was primarily driven by the Action acquisition, increased activity at our Bowen Basin villages and additional accretion expense related to an ARO we identified at one of our villages in Australia that should have been recorded in 2011, partially offset by the weakening of the Australian dollar.

Our Australian segment gross margin as a percentage of revenues decreased from 49% in the nine months ended September 30, 2018 to 44% in the nine months ended September 30, 2019. This was primarily driven by Action, which has a service-only business model and therefore results in lower overall gross margins than the accommodation business and the additional accretion expense noted above, partially offset by improved margins at our Bowen Basin villages as a result of increased occupancy.

Segment Results of Operations – U.S. Segment

	Nine Months Ended September 30,		
	2019	2018	Change
Revenues (\$ in thousands)	\$ 35,763	\$ 35,969	\$ (206)
Cost of sales (\$ in thousands)	\$ 28,432	\$ 31,222	\$ (2,790)
Gross margin as a % of revenues	20.5%	13.2%	7.3%

Our U.S. segment reported revenues in the nine months ended September 30, 2019 that were \$0.2 million, or 1%, lower than the nine months ended September 30, 2018. The decrease was primarily due to lower revenues from our offshore business resulting from lower project activity and reduced revenues from our West Permian lodge due to reduced drilling activity in that area. These items were partially offset by greater U.S. drilling and completion activity in the Bakken, Rockies, mid Continent and Texas markets benefiting our wellsite business.

Our U.S. segment cost of sales decreased \$2.8 million, or 9%, in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. The decrease was driven by reduced activity in our offshore business partially offset by higher cost of sales in the wellsite business related to greater activity.

Our U.S. segment gross margin as a percentage of revenues increased from 13% in the nine months ended September 30, 2018 to 20% in the nine months ended September 30, 2019 primarily due to greater U.S. drilling and completion activity in the Bakken, Rockies, mid Continent and Texas markets benefiting our wellsite business.

Liquidity and Capital Resources

Our primary liquidity needs are to fund capital expenditures, which in the past have included expanding and improving our hospitality services, developing new lodges and villages, purchasing or leasing land, 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 Amended Credit Agreement (as defined below) and proceeds from equity issuances. 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, refinance debt or retire preferred shares.

The following table summarizes our consolidated liquidity position as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019	December 31, 2018
Lender commitments (1)	\$ 263,500	\$ 239,500
Reductions in availability (2)	(17,392)	(14,469)
Borrowings against revolving credit capacity	(164,218)	(131,266)
Outstanding letters of credit	(1,987)	(3,445)
Unused availability	79,903	90,320
Cash and cash equivalents	8,072	12,372
Total available liquidity	\$ 87,975	\$ 102,692

(1) We also have a A\$2.0 million bank guarantee facility. We had bank guarantees of A\$0.7 million under this facility outstanding as of both September 30, 2019 and December 31, 2018, respectively.

(2) As of September 30, 2019, \$17.4 million 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. As of December 31, 2018, \$14.5 million 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 \$33.5 million was provided by operations during the nine months ended September 30, 2019, compared to \$25.9 million provided by operations during the nine months ended September 30, 2018. During the nine months ended September 30, 2019 and 2018, \$29.4 million and \$14.1 million, respectively, was used in working capital. The decrease in cash provided in 2019 compared to 2018 is largely due to increased accounts receivable balances in Canada.

Cash was used in investing activities during the nine months ended September 30, 2019 in the amount of \$34.7 million, compared to cash used in investing activities during the nine months ended September 30, 2018 in the amount of \$186.1 million. The decrease in cash used in investing activities was primarily due to \$161.4 million to fund the Noralta acquisition and \$23.8 million to fund the Acadian Acres asset acquisition in the first nine months of 2018. This compares to \$16.9 million to fund the Action acquisition in the first nine months of 2019. Capital expenditures totaled \$25.5 million and \$8.7 million during the nine months ended September 30, 2019 and 2018, respectively. The increase in capital expenditures in the nine months ended September 30, 2019 was related primarily to the expansion of the Sitka Lodge. Capital expenditures in the nine months ended September 30, 2018 consisted primarily of routine maintenance capital expenditures.

We expect our capital expenditures for 2019, exclusive of any business acquisitions, to be in the range of \$33 million to \$37 million, which excludes any unannounced and uncommitted projects, the spending for which is contingent on obtaining customer contracts. Whether planned expenditures will actually be spent in 2019 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 \$2.8 million was used in financing activities during the nine months ended September 30, 2019 primarily due to net borrowings under our revolving credit facilities of \$29.5 million, partially offset by repayments of term loan borrowings of \$26.1 million, \$4.3 million used to settle tax obligations on vested shares under our share based compensation plans and debt issuance costs of \$1.9 million. Net cash of \$133.9 million was provided by financing activities during the nine months ended September 30, 2018, primarily due to net borrowings under our revolving credit facilities of \$155.4 million, largely to fund the Noralta acquisition. This was partially offset by repayments of term loan borrowings of \$18.2 million and debt issuance costs of \$2.7 million.

The following table summarizes the changes in debt outstanding during the nine months ended September 30, 2019 (in thousands):

	Canada	Australia	U.S.	Total
Balance at December 31, 2018	\$ 362,258	\$ 16,918	\$ —	\$ 379,176
Borrowings under revolving credit facilities	294,235	5,259	41,000	340,494
Repayments of borrowings under revolving credit facilities	(259,598)	(20,348)	(31,000)	(310,946)
Repayments of term loans	(26,085)	—	—	(26,085)
Translation	11,045	(141)	—	10,904
Balance at September 30, 2019	<u>\$ 381,855</u>	<u>\$ 1,688</u>	<u>\$ 10,000</u>	<u>\$ 393,543</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

As of December 31, 2018, our Credit Agreement, as then amended, provided for: (i) a \$239.5 million revolving credit facility scheduled to mature on November 30, 2020, allocated as follows: (A) a \$20.0 million senior secured revolving credit facility in favor of certain of our U.S. subsidiaries, as borrowers; (B) a \$159.5 million senior secured revolving credit facility in favor of Civeo and certain of our Canadian subsidiaries, as borrowers; and (C) a \$60.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower; and (ii) a \$285.4 million term loan facility scheduled to mature on November 30, 2020 in favor of Civeo.

On September 30, 2019, the second amendment to the Credit Agreement (as so amended, the Amended Credit Agreement) became effective, which, among other things:

- increased the aggregate revolving loan commitments by \$24.0 million under the Amended Credit Agreement, to a maximum principal amount of \$183.5 million under the Canadian revolving credit facility until November 30, 2020, which will be reduced thereafter as described below;
- extended the maturity date of the commitments and loans of certain lenders to November 30, 2021. Two lenders did not extend the maturity date of their commitments and loans. One non-extending lender has outstanding Canadian term loans of \$6.9 million, a Canadian revolving commitment of \$15.7 million and an Australian revolving commitment of \$10.4 million that matures on November 30, 2020. The other non-extending lender has a U.S. revolving commitment of \$7.4 million and a Canadian revolving commitment of \$22.5 million that matures on November 30, 2020; and
- adjusted the maximum leverage ratio financial covenant as follows:

If a qualified offering of indebtedness with gross proceeds in excess of \$150 million has been consummated, a maximum leverage ratio of 4.00 to 1.00 and, if such qualified offering has not been consummated, a maximum leverage ratio not to exceed the ratios set forth in the following table:

<u>Period Ended</u>	<u>Maximum Leverage Ratio</u>
September 30, 2019	4.25 : 1:00
December 31, 2019	4.00 : 1:00
March 31, 2020, June 30, 2020 & September 30, 2020	3:75 : 1:00
December 31, 2020 & thereafter	3.50 : 1:00

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 4.00%, or a base rate plus 1.25% to 3.00%, in each case based on a ratio of our total debt to consolidated EBITDA (as defined in the Amended Credit Agreement). Canadian dollar amounts outstanding bear interest at a variable rate equal to a B/A Discount Rate based on the Canadian Dollar Offered Rate plus a margin of 2.25% to 4.00%, or a Canadian Prime rate plus a margin of 1.25% to 3.00%, in each case based on a ratio of our total debt to consolidated EBITDA. Australian dollar amounts outstanding under the Amended Credit Agreement bear interest at a variable rate equal to the Bank Bill Swap Bid Rate plus a margin of 2.25% to 4.00%, based on a ratio of our total debt to consolidated EBITDA.

The Amended Credit Agreement contains customary affirmative and negative covenants that, among other things, limit or restrict: (i) 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 4.25 to 1.0 (as of September 30, 2019). As noted above, the permitted maximum leverage ratio changes over time. Following a qualified offering of indebtedness with gross proceeds

in excess of \$150 million, we will be required to maintain a maximum senior secured ratio less than 2.50 to 1.0. 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, amortization of intangibles and other non-cash charges. We were in compliance with our covenants as of September 30, 2019.

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. As of September 30, 2019, we have ten lenders that were parties to the Amended Credit Agreement, with total commitments (including both revolving commitments and term commitments) ranging from \$24.9 million to \$85.4 million. As of September 30, 2019, we had outstanding letters of credit of \$0.3 million under the U.S. facility, \$0.5 million under the Australian facility and \$1.2 million under the Canadian facility.

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 cash dividends on common or preferred shares 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.

The preferred shares we issued in the Noralta acquisition are entitled to receive a 2% annual dividend on the liquidation preference (initially \$10,000 per share), subject to increase to up to 3% in certain circumstances, paid quarterly in cash or, at our option, by increasing the preferred shares' liquidation preference, or any combination thereof. Quarterly dividends were paid in-kind on September 30, 2019, thereby increasing the liquidation preference to \$10,303 per share as of September 30, 2019. We currently expect to pay dividends on the preferred shares for the foreseeable future through an increase in liquidation preference rather than cash.

Off-Balance Sheet Arrangements

As of September 30, 2019, 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, 2018. As of September 30, 2019, except for net borrowings under our revolving credit facilities, there were no material changes to the disclosure regarding our contractual obligations made in our Annual Report on Form 10-K for the year ended December 31, 2018.

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, 2018. 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, 2019, we had \$393.5 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 \$3.9 million annually, based on our floating-rate debt obligations and interest rates in effect as of September 30, 2019.

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 functional 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\$0.3 billion and A\$0.4 billion, respectively, at September 30, 2019. 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, 2019 would result in translation adjustments of approximately \$29 million and \$38 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, 2019, at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2019, 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, 2018.

ITEM 6. Exhibits**(a) INDEX OF EXHIBITS**

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Second Amendment to Amended and Restated Syndicated Facility Agreement, dated as of September 30, 2019, among Civeo Corporation and certain of its subsidiaries, as borrowers, the guarantors party thereto, the lenders named therein, Royal Bank of Canada, as Administrative Agent, and the other agents party thereto (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-36246) filed on October 2, 2019).</u>
31.1*	— <u>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.</u>
31.2*	— <u>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.</u>
32.1**	— <u>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.</u>
32.2**	— <u>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.</u>
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 29, 2019

By _____ /s/ **Carolyn J. Stone** _____

Carolyn J. Stone

**Chief Accounting Officer and Vice President, Controller and Corporate
Secretary (Duly Authorized 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 29, 2019

/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 29, 2019

/s/ Frank C. Steininger

Frank C. Steininger

Executive 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, 2019, 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 29, 2019

**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, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank C. Steininger, Executive 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 29, 2019