

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 June 30, 2014

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)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

46-3831207  
(I.R.S. Employer  
Identification No.)

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

77002  
(Zip Code)

(713) 510-2400

\_\_\_\_\_  
(Registrant's telephone number, including area code)

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

YES  NO

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

YES  NO

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

(Check one):

Large Accelerated Filer

Accelerated Filer

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

Smaller Reporting Company

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 106,695,984 shares of common stock outstanding as of August 8, 2014.

CIVEO CORPORATION

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

CIVEO CORPORATION

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2014	2013	2014	2013
<b>Revenues:</b>				
Service and other	\$ 223,927	\$ 237,242	\$ 462,840	\$ 526,280
Product	3,206	5,748	17,092	11,248
	<u>227,133</u>	<u>242,990</u>	<u>479,932</u>	<u>537,528</u>
<b>Costs and expenses:</b>				
Service and other costs	131,110	127,736	262,488	274,696
Product costs	2,195	4,858	14,327	8,346
Selling, general and administrative expenses	21,708	16,898	37,853	33,165
Spin-off and formation costs	1,896	--	2,469	--
Depreciation and amortization expense	42,413	41,411	82,012	82,499
Impairment expense	11,610	--	11,610	--
Other operating expense (income)	(25)	455	87	(3,571)
	<u>210,907</u>	<u>191,358</u>	<u>410,846</u>	<u>395,135</u>
Operating income	16,226	51,632	69,086	142,393
Interest expense to affiliates	(2,828)	(4,624)	(6,980)	(9,294)
Interest expense to third-parties, net of capitalized interest	(2,269)	(1,805)	(3,110)	(3,970)
Loss on extinguishment of debt	(3,455)	(1,207)	(3,455)	(1,207)
Interest income	991	475	1,793	901
Other income	709	192	947	602
Income before income taxes	9,374	44,663	58,281	129,425
Income tax benefit (provision)	4,911	(11,360)	(7,400)	(31,932)
Net income	14,285	33,303	50,881	97,493
Less: Net income attributable to noncontrolling interest	336	333	693	711
Net income attributable to Civeo Corporation	<u>\$ 13,949</u>	<u>\$ 32,970</u>	<u>\$ 50,188</u>	<u>\$ 96,782</u>

**Per Share Data (see Note 5)**

Basic net income per share attributable to Civeo Corporation common stockholders	\$ 0.13	\$ 0.31	\$ 0.47	\$ 0.91
Diluted net income per share attributable to Civeo Corporation common stockholders	\$ 0.13	\$ 0.31	\$ 0.47	\$ 0.91
<b>Weighted average number of common shares outstanding:</b>				
Basic	106,294	106,293	106,294	106,293
Diluted	106,465	106,460	106,463	106,460

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

**CIVEO CORPORATION**

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

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>JUNE 30,</b>		<b>JUNE 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net income	\$ 14,285	\$ 33,303	\$ 50,881	\$ 97,493
Other comprehensive income (loss):				
Foreign currency translation adjustment	41,127	(132,208)	54,140	(138,019)
Total other comprehensive income (loss)	41,127	(132,208)	54,140	(138,019)
Comprehensive income (loss)	55,412	(98,905)	105,021	(40,526)
Comprehensive (income) loss attributable to noncontrolling interest	(400)	(284)	(691)	(632)
Comprehensive income (loss) attributable to Civeo Corporation	<u>\$ 55,012</u>	<u>\$ (99,189)</u>	<u>\$ 104,330</u>	<u>\$ (41,158)</u>

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

**CIVEO CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands)

	<u>JUNE 30,</u> <u>2014</u>	<u>DECEMBER 31,</u> <u>2013</u>
	<u>(UNAUDITED)</u>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 285,494	\$ 224,128
Accounts receivable, net	191,901	177,845
Inventories	20,614	29,815
Prepaid expenses and other current assets	29,817	7,956
Total current assets	<u>527,826</u>	<u>439,744</u>
Property, plant and equipment, net	1,414,551	1,325,867
Goodwill, net	271,882	261,056
Other intangible assets, net	66,156	75,675
Other noncurrent assets	33,214	20,895
Total assets	<u>\$ 2,313,629</u>	<u>\$ 2,123,237</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY / NET INVESTMENT</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 60,548	\$ 45,376
Accrued liabilities	27,391	26,874
Income taxes	24	2,761
Deferred revenue	24,026	19,571
Other current liabilities	2,408	2,470
Total current liabilities	<u>114,397</u>	<u>97,052</u>
Long-term debt to affiliates	--	335,171
Long-term debt	775,000	--
Deferred income taxes	78,016	79,739
Other noncurrent liabilities	29,159	18,530
Total liabilities	<u>996,572</u>	<u>530,492</u>
<b>Stockholders' Equity / Net investment:</b>		
Common stock (\$0.01 par value, 550,000,000 shares authorized, 106,691,058 shares and zero shares both issued and outstanding, respectively)	1,067	--
Additional paid-in capital	1,311,395	--
Retained earnings	8,507	--
Oil States International, Inc. net investment	--	1,651,013
Accumulated other comprehensive loss	(5,837)	(59,979)
Total Civeo Corporation stockholders' equity / Oil States International, Inc. net investment	<u>1,315,132</u>	<u>1,591,034</u>
Noncontrolling interest	1,925	1,711
Total stockholders' equity / net investment	<u>1,317,057</u>	<u>1,592,745</u>
Total liabilities and stockholders' equity / net investment	<u>\$ 2,313,629</u>	<u>\$ 2,123,237</u>

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

CIVEO CORPORATION

**UNAUDITED CONSOLIDATED STATEMENTS OF  
CHANGES IN STOCKHOLDERS' EQUITY / NET INVESTMENT  
(In Thousands)**

	Attributable to Civeo							Total Stockholders' Equity / Net Investment
	Common Stock			Oil States Net Investment	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest		
	Par Value	Additional Paid-in Capital	Retained Earnings					
<b>Balance, December 31, 2012</b>	\$ --	\$ --	\$ --	\$ 1,302,664	\$ 107,733	\$ 1,248	\$ 1,411,645	
Net income				96,782		711	97,493	
Currency translation adjustment					(137,940)	(79)	(138,019)	
Dividends paid						(513)	(513)	
Net transfers from Oil States International, Inc.				88,270			88,270	
<b>Balance, June 30, 2013</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,487,716</u>	<u>\$ (30,207)</u>	<u>\$ 1,367</u>	<u>\$ 1,458,876</u>	
<b>Balance, December 31, 2013</b>	\$ --	\$ --	\$ --	\$ 1,651,013	\$ (59,979)	\$ 1,711	\$ 1,592,745	
Net income			8,507	41,681		693	50,881	
Currency translation adjustment					54,142	(2)	54,140	
Dividends paid						(477)	(477)	
Net transfers from Oil States International, Inc.				369,219			369,219	
Distribution to Oil States International, Inc.				(750,000)			(750,000)	
Reclassification of Oil States International, Inc. Net Investment to Additional Paid-in Capital		1,311,913		(1,311,913)			--	
Issuance of common stock at the Spin- Off	1,065	(1,065)					--	
Stock-based compensation	2	547					549	
<b>Balance, June 30, 2014</b>	<u>\$ 1,067</u>	<u>\$ 1,311,395</u>	<u>\$ 8,507</u>	<u>\$ --</u>	<u>\$ (5,837)</u>	<u>\$ 1,925</u>	<u>\$ 1,317,057</u>	

	Shares in Thousands Common Stock
<b>Balance, December 31, 2013</b>	--
Issuance of common stock at the Spin-Off	106,538
Stock-based compensation.	153
<b>Balance, June 30, 2014</b>	<u>106,691</u>

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

CIVEO CORPORATION

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)

	SIX MONTHS ENDED JUNE 30,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net income	\$ 50,881	\$ 97,493
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	82,012	82,499
Impairment charges	11,610	--
Loss on extinguishment of debt	3,455	1,207
Deferred income tax provision (benefit)	(7,151)	7,088
Non-cash compensation charge	5,419	2,738
Losses on disposals of assets	574	613
Provision for loss on receivables	199	1,166
Fair value adjustment of contingent consideration	--	(3,865)
Other, net	851	1
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(12,622)	11,418
Inventories	8,841	91
Accounts payable and accrued liabilities	21,405	(25,432)
Taxes payable	(14,376)	(16,919)
Other current assets and liabilities, net	3,633	2,160
<b>Net cash flows provided by operating activities</b>	<b>154,731</b>	<b>160,258</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures, including capitalized interest	(141,667)	(160,605)
Proceeds from disposition of property, plant and equipment	1,350	1,343
Other, net	(778)	1
<b>Net cash flows used in investing activities</b>	<b>(141,095)</b>	<b>(159,261)</b>
<b>Cash flows from financing activities:</b>		
Revolving credit borrowings and (repayments), net	--	(47,901)
Term loan borrowings	775,000	--
Debt issuance costs	(9,106)	--
Term loan repayments	--	(82,762)
Distributions to Oil States	(750,000)	--
Contributions from Oil States	28,170	84,383
<b>Net cash flows provided by (used in) financing activities</b>	<b>44,064</b>	<b>(46,280)</b>
Effect of exchange rate changes on cash	3,666	(16,904)
<b>Net change in cash and cash equivalents</b>	<b>61,366</b>	<b>(62,187)</b>
Cash and cash equivalents, beginning of period	224,128	161,396
<b>Cash and cash equivalents, end of period</b>	<b>\$ 285,494</b>	<b>\$ 99,209</b>

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

## CIVEO CORPORATION

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. SPIN-OFF, DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

##### *Spin-off*

On May 5, 2014, the Oil States International, Inc. (Oil States) board of directors approved the separation of its Accommodations Segment (Accommodations) into a standalone, publicly traded company, Civeo Corporation (Civeo). In accordance with the Separation and Distribution Agreement, the two companies were separated by Oil States distributing to its stockholders all 106,538,044 shares of common stock of Civeo it held after the market closed on May 30, 2014 (the Spin-Off). Each Oil States stockholder received two shares of Civeo common stock for every one share of Oil States stock held at the close of business on the record date of May 21, 2014. In conjunction with the separation, Oil States received a private letter ruling from the Internal Revenue Service to the effect that, based on certain facts, assumptions, representations and undertakings set forth in the ruling, for U.S. federal income tax purposes, the distribution of Civeo common stock was not taxable to Oil States or U.S. holders of Oil States common stock. Following the separation, Oil States retained no ownership interest in Civeo, and each company now has separate public ownership, boards of directors and management. A registration statement on Form 10, as amended through the time of its effectiveness, describing the separation was filed by Civeo with the U.S. Securities and Exchange Commission (SEC) and was declared effective on May 8, 2014 (the Form 10). On June 2, 2014, Civeo stock began trading the “regular-way” on the New York Stock Exchange under the “CIVEO” stock symbol. Pursuant to the Separation and Distribution Agreement with Oil States, on May 28, 2014, we made a special cash distribution to Oil States of \$750 million.

In connection with the Spin-Off, on May 28, 2014, we entered into a \$650.0 million, 5-year revolving credit facility and a 5-year U.S. term loan facility totaling \$775.0 million. For further discussion, see Note 6 – Debt.

As a result of the Spin-Off, we incurred certain costs in the three month and six month periods ended June 30, 2014. We recognized a loss on the termination of debt of approximately \$3.5 million related to unamortized debt issuance costs, which is included in Loss on extinguishment of debt on the accompanying unaudited consolidated statements of income. We recorded transition and formation costs associated with the Spin-Off of approximately \$1.9 million and \$2.5 million for the three month and six month periods ended June 30, 2014, respectively, which are included in Spin-off and formation costs on the accompanying unaudited consolidated statements of income. We recognized a \$9.0 million impairment of an intangible asset in Australia, which is included in Impairment expense on the accompanying unaudited consolidated statements of income. Due to the Spin-Off, and the resulting rebranding of our Australian operations from The MAC to Civeo, it was determined that the fair value of an intangible asset associated with The MAC brand had been reduced to nil. Additionally, we recognized an impairment totaling \$2.6 million on assets that are in the custody of a non-paying client in Mexico and for which the return or reimbursement is uncertain.

##### *Description of the Business*

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

##### *Basis of Presentation*

Prior to the Spin-Off, our financial position, results of operations and cash flows consisted of the Oil States’ Accommodations business and an allocable portion of its corporate costs, which represented a combined reporting entity. The combined financial statements for periods prior to the Spin-Off have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of Oil States. The combined financial statements reflect our historical financial position, results of operations and cash flows as we were historically managed, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The combined financial statements include certain assets and liabilities that have historically been held at the Oil States corporate level, but are specifically identifiable or otherwise attributable to us.

## CIVEO CORPORATION

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

All financial information presented after the Spin-Off represents the consolidated results of operations, financial position and cash flows of Civeo. Accordingly:

- Our consolidated statements of income and comprehensive income for the three months ended June 30, 2014 consist of the consolidated results of Civeo for the month ended June 30, 2014, and the combined results of the Oil States' Accommodations business for the two months ended May 30, 2014. Our consolidated statements of income and comprehensive income for the six months ended June 30, 2014 consist of the consolidated results of Civeo for the one month ended June 30, 2014 and of the combined results of the Oil States' Accommodations business for the five months ended May 30, 2014. Our consolidated statements of income and comprehensive income for the three and six months ended June 30, 2013 consist entirely of the combined results of the Oil States' Accommodations business.
- Our consolidated balance sheet at June 30, 2014 consists of the consolidated balances of Civeo, while at December 31, 2013, it consists entirely of the combined balances of the Oil States' Accommodations business.
- Our consolidated statements of cash flows and changes in stockholders' equity / net investment for the six months ended June 30, 2014 consist of the consolidated results of Civeo for the one month ended June 30, 2014, and the combined results of the Oil States' Accommodations business for the five months ended May 30, 2014. Our consolidated statements of cash flows and changes in stockholders' equity / net investment for the six months ended June 30, 2013 consist entirely of the combined results of the Oil States' Accommodations business.

The assets and liabilities in our consolidated financial statements have been reflected on a historical basis, as immediately prior to the Spin-Off all of the assets and liabilities presented were wholly owned by Oil States and were transferred within the Oil States consolidated group. All intercompany transactions and accounts have been eliminated. All affiliate transactions between Civeo and Oil States have been included in these consolidated financial statements.

Unless otherwise stated or the context otherwise indicates, all references in these consolidated financial statements to "Civeo," "the Company," "us," "our" or "we" for the time period prior to the separation mean the Accommodations business of Oil States. For time periods after the separation, these terms refer to the legal entity Civeo Corporation and its consolidated subsidiaries.

The consolidated financial statements for periods prior to the Spin-Off included expense allocations for: (1) certain corporate functions historically provided by Oil States, including, but not limited to finance, legal, risk management, tax, treasury, information technology, human resources, and certain other shared services; (2) certain employee benefits and incentives; and (3) equity-based compensation. These expenses were allocated to us on the basis of direct usage when identifiable, with the remainder allocated based on estimated time spent by Oil States personnel, a pro-rata basis of headcount or other relevant measures of Oil States and its subsidiaries. We consider the basis on which the expenses were allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by us during the periods presented. The allocations may not, however, reflect the expense we would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if we had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, which functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Following the Spin-Off, Civeo is performing these functions using its own resources or purchased services. For an interim period, however, some of these functions will continue to be provided by Oil States under a Transition Services Agreement, which extends for a period of up to nine months from the date of the Spin-Off, depending on the service being provided. See Note 13 – Related Party Transactions.

**CIVEO CORPORATION**

**NOTES TO UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
(Continued)**

Oil States uses a centralized approach to the cash management and financing of its U.S. operations. Prior to February 2014, cash from our U.S. operations was transferred to Oil States daily and Oil States funded our U.S. operating and investing activities as needed. Accordingly, the cash and cash equivalents held by Oil States at the corporate level were not allocated to us for any of the periods presented prior to February 2014. We reflected the transfer of cash to and from Oil States as a component of "Net Investment of Oil States International, Inc." on our consolidated balance sheet. We have not included interest expense for intercompany cash advances from Oil States, since historically Oil States has not allocated interest expense related to intercompany advances to any of its businesses. Beginning in February 2014, we established Civeo cash accounts and funded a portion of our U.S. operating and investing activities.

The accompanying unaudited consolidated financial statements of Civeo have been prepared pursuant to the rules and regulations of the SEC pertaining to interim financial information. Certain information in footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP has been condensed or omitted pursuant to these rules and regulations. The unaudited financial statements included in this report reflect all the adjustments, consisting of normal recurring adjustments, which we consider necessary for a fair presentation of the results of operations for the interim periods covered and for our financial condition at the date of the interim balance sheet. Results for the interim periods are not necessarily indicative of results for the full year. Certain reclassifications have been made to the December 31, 2013 consolidated balance sheet to conform to current year presentation.

The preparation of consolidated financial statements in conformity with U.S. 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 the audited financial statements and accompanying notes for the year ended December 31, 2013 included in our Form 10.

**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, which are not yet effective, will not have a material impact on our consolidated financial statements upon adoption.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. We have not yet selected a transition method and are currently evaluating the impact of the amended guidance on our consolidated financial position, results of operations and related disclosures.

**CIVEO CORPORATION**

**NOTES TO UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
(Continued)**

**3. FAIR VALUE MEASUREMENTS**

Our financial instruments consist of cash and cash equivalents, receivables, payables and debt instruments. We believe that the carrying values of these instruments, other than our long-term debt to affiliates, on the accompanying consolidated balance sheets approximate their fair values.

The fair value of our long-term debt to affiliates is estimated based on analysis of similar instruments (Level 2 fair value measurements). The carrying values and fair values of this debt are as follows for the periods indicated (in thousands):

	June 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt to affiliates	\$ --	\$ --	\$ 335,171	\$ 361,264

As of June 30, 2014, we believe the carrying value of our floating-rate debt outstanding under our \$775 million term loan approximates its fair value because the term includes short-term interest rates and excludes penalties for prepayment. We estimated the fair value of our floating-rate term loan using significant other observable inputs, representative of a Level 2 fair value measurement, including terms and credit spreads for this loan.

**4. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS**

Additional information regarding selected balance sheet accounts at June 30, 2014 and December 31, 2013 is presented below (in thousands):

	June 30, 2014	December 31, 2013
<b>Accounts receivable, net:</b>		
Trade	\$ 145,200	\$ 128,781
Unbilled revenue	50,041	47,004
Other	1,641	5,716
Total accounts receivable	196,882	181,501
Allowance for doubtful accounts	(4,981)	(3,656)
Total accounts receivable, net	\$ 191,901	\$ 177,845

	June 30, 2014	December 31, 2013
<b>Inventories:</b>		
Finished goods and purchased products	\$ 3,852	\$ 3,574
Work in process	9,573	14,328
Raw materials	7,189	11,913
Total inventories	\$ 20,614	\$ 29,815

	Estimated Useful Life (in years)	June 30, 2014	December 31, 2013
<b>Property, plant and equipment, net:</b>			
Land		\$ 57,714	\$ 49,384
Accommodations assets	3-15	1,636,028	1,535,407
Buildings and leasehold improvements	3-20	52,097	45,538
Machinery and equipment	4-15	13,886	12,259
Office furniture and equipment	3-7	34,339	28,755
Vehicles	3-5	20,366	20,197
Construction in progress		176,848	129,587
Total property, plant and equipment		1,991,278	1,821,127
Accumulated depreciation		(576,727)	(495,260)
Total property, plant and equipment, net		\$ 1,414,551	\$ 1,325,867

**CIVEO CORPORATION**  
**NOTES TO UNAUDITED CONSOLIDATED**  
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	June 30, 2014	December 31, 2013
<b>Accrued liabilities:</b>		
Accrued compensation	\$ 23,295	\$ 21,988
Accrued taxes, other than income taxes	2,270	1,940
Accrued interest	38	1,560
Other	1,788	1,386
Total accrued liabilities	<u>\$ 27,391</u>	<u>\$ 26,874</u>

**5. EARNINGS PER SHARE**

On May 30, 2014, 106,538,044 shares of our common stock were distributed to Oil States stockholders in connection with the Spin-Off. For comparative purposes, and to provide a more meaningful calculation of weighted-average shares outstanding, we have assumed these shares to be outstanding as of the beginning of each period prior to the separation presented in the calculation of weighted-average shares. In addition, we have assumed the dilutive securities outstanding at May 30, 2014 were also outstanding for each of the periods prior to the Spin-Off presented. Our calculation of diluted earnings per share excludes 44,773 shares issuable pursuant to outstanding stock options, due to their antidilutive effect.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2014	2013	2014	2013
<b>Basic Earnings per Share</b>				
Net income attributable to Civeo	\$ 13,949	\$ 32,970	\$ 50,188	\$ 96,782
Less: undistributed net income to participating securities	(39)	(76)	(128)	(222)
Net income attributable to Civeo	<u>\$ 13,910</u>	<u>\$ 32,894</u>	<u>\$ 50,060</u>	<u>\$ 96,560</u>
Weighted average common shares outstanding - basic	106,294	106,293	106,294	106,293
Basic earnings per share	\$ 0.13	\$ 0.31	\$ 0.47	\$ 0.91
<b>Diluted Earnings per Share</b>				
Net income attributable to Civeo's common stockholders	\$ 13,910	\$ 32,894	\$ 50,060	\$ 96,560
Weighted average common shares outstanding - basic	106,294	106,293	106,294	106,293
Effect of dilutive securities	171	167	169	167
Weighted average common shares outstanding - diluted	106,465	106,460	106,463	106,460
Diluted earnings per share	\$ 0.13	\$ 0.31	\$ 0.47	\$ 0.91

**6. GOODWILL**

Changes in the carrying amount of goodwill for the six month period ended June 30, 2014 are as follows (in thousands):

	Canadian	Australian	U.S.	Total
Balance as of December 31, 2013	\$ 49,485	\$ 194,939	\$ 16,632	\$ 261,056
Foreign currency translation	(114)	10,940	--	10,826
Balance as of June 30, 2014	<u>\$ 49,371</u>	<u>\$ 205,879</u>	<u>\$ 16,632</u>	<u>\$ 271,882</u>

**CIVEO CORPORATION**  
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**7. DEBT**

As of June 30, 2014 and December 31, 2013, long-term debt consisted of the following (in thousands):

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
U.S term loan, which matures on May 28, 2019, of \$775 million; 1.25% of aggregate principal repayable per quarter beginning September 30, 2015; weighted average interest rate of 2.5% for the six month period ended June 30, 2014	\$ 775,000	\$ --
U.S revolving credit facility, which matures on May 28, 2019, with available commitments up to \$450 million; no borrowings outstanding during the six month period ended June 30, 2014	--	--
Canadian revolving credit facility, which matures on May 28, 2019, with available commitments up to \$100 million; no borrowings outstanding during the six month period ended June 30, 2014	--	--
Australian revolving credit facility, which matures May 28, 2019, with available commitments up to \$100 million; no borrowings outstanding during the six month period ended June 30, 2014	--	--
Affiliate debt with Oil States	--	335,171
Total debt	775,000	335,171
Less: Current portion	--	--
Total long-term debt	<u>\$ 775,000</u>	<u>\$ 335,171</u>

Interest expense on the consolidated statements of income is net of capitalized interest of \$1.0 million and \$0.2 million for the three months ended June 30, 2014 and 2013, respectively. Interest expense on the consolidated statements of income is net of capitalized interest of \$1.3 million and \$0.5 million for the six months ended June 30, 2014 and 2013, respectively.

***Affiliate debt***

On May 27, 2014, in conjunction with the Spin-Off, our affiliate debt with Oil States was settled through a non-cash capital contribution. See Note 13 for further information.

***Credit Facility***

Civeo was a party to an Oil States credit facility agreement together with Oil States that had separate Canadian borrowing limits that served as debt financing for the Canadian operations of Civeo (Oil States Credit Facility). As of December 31, 2013, we had no outstanding balance under the Canadian portion of the credit facility and \$0.9 million of outstanding letters of credit. Additionally, Civeo had a separate Australian credit facility (The MAC Group Credit Facility) that was used exclusively to support our Australian operations. As of December 31, 2013, we had no outstanding balance under the Australian credit facility. On May 28, 2014, the Oil States Credit Facility and The MAC Group Credit Facility were terminated. We recognized a loss on the termination during the second quarter 2014 of approximately \$3.5 million related to unamortized debt issuance costs, which is included in Loss on extinguishment of debt on the accompanying unaudited consolidated statements of income.

## CIVEO CORPORATION

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On May 28, 2014, we entered into (i) a \$650.0 million, 5-year revolving credit facility which is allocated as follows: (A) a \$450.0 million senior secured revolving credit facility in favor of Civeo, as borrower (the U.S. facility), (B) a \$100.0 million senior secured revolving credit facility in favor of certain of our Canadian subsidiaries, as borrowers (the Canadian facility), and (C) a \$100.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower (the Australian facility), and (ii) a \$775.0 million, 5-year term loan facility in favor of Civeo (collectively, the Credit Agreement). U.S. Dollar amounts outstanding under the Credit Agreement bear interest at a variable rate equal to LIBOR plus a margin of 1.75% to 2.75%, or a base rate plus 0.75% to 1.75%, in each case based on a ratio of our total leverage to EBITDA (as defined in the Credit Agreement). Canadian Dollar amounts outstanding under the Credit Agreement bear interest at a variable rate equal to CDOR (as defined in the Credit Agreement) plus a margin of 1.75% to 2.75%, or a base rate plus a margin of 0.75% to 1.75%, in each case based on a ratio of our total leverage to EBITDA (as defined in the Credit Agreement). Australian Dollar amounts outstanding under the Credit Agreement bear interest at a variable rate equal to BBSY (as defined in the Credit Agreement) plus a margin of 1.75% to 2.75%, based on a ratio of our total leverage to EBITDA (as defined in the Credit Agreement). We paid certain customary fees with respect to the Credit Agreement. We have 15 lenders in our Credit Agreement with commitments ranging from \$20 million to \$195 million. As of June 30, 2014, we had outstanding letters of credit of \$0.7 million under the U.S. facility and \$6.2 million under the Canadian facility.

The Credit Agreement contains customary affirmative and negative covenants that, among other things, limit or restrict (i) subsidiary indebtedness, liens and fundamental changes, (ii) asset sales, (iii) margin stock, (iv) specified acquisitions, (v) restrictive agreements, (vi) transactions with affiliates and (vii) investments and other restricted payments, including dividends and other distributions. Specifically, 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 3.5 to 1.0. Each of the factors considered in the calculations of these ratios are defined in the Credit Agreement. EBITDA and consolidated interest, as defined, exclude goodwill impairments, debt discount amortization and other non-cash charges. Borrowings under the Credit Agreement are secured by a pledge of substantially all of our assets and the assets of our subsidiaries. Obligations under the Credit Agreement are guaranteed by our significant subsidiaries.

In addition to the Credit Agreement, we have an Australian \$30 million line of credit facility, which matures December 10, 2015. There were no letters of credit outstanding under this facility during the six month period ended June 30, 2014.

#### 8. INCOME TAXES

We compute our quarterly taxes under the effective tax rate method based on applying an anticipated annual effective rate to our year-to-date income, except for significant unusual or extraordinary transactions. Income taxes for significant unusual or extraordinary transactions are computed and recorded in the period that the specific transaction occurs.

Our income tax expense for the six months ended June 30, 2014 totaled \$7.4 million, or 12.7% of pretax income, compared to income tax expense of \$31.9 million, or 24.7% of pretax income, for the six months ended June 30, 2013. Generally, our effective tax rates are lower than U.S. statutory rates because of lower foreign income tax rates. The decrease in the effective tax rate from the prior year was largely the result of a change in the earnings mix between different tax jurisdictions. In addition, the effective tax rate was reduced due to changes in our corporate structure, including the contribution by Oil States of our affiliate debt (as further described in Note 13 – Related Party Transactions).

Our income tax benefit for the three months ended June 30, 2014 totaled \$4.9 million, or (52.4%) of pretax income, compared to income tax expense of \$11.4 million, or 25.4% of pretax income, for the three months ended June 30, 2013. The negative effective tax rate for the three months ended June 30, 2014 is due to a reduction in the 2014 annual effective tax rate from March 31, 2014 to June 30, 2014 due to changes in our corporate structure, including the contribution by Oil States of our affiliate debt. Under ASC 740-270, Accounting for Income Taxes, the quarterly tax provision is based on our current estimate of the annual effective tax rate less the prior quarter's year-to-date tax provision.

## CIVEO CORPORATION

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 9. COMMITMENTS AND CONTINGENCIES

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

In conjunction with, and effective as of, the Spin-Off, we entered into an Indemnification and Release Agreement with Oil States. This agreement governs the treatment between Oil States and us of all aspects relating to indemnification, insurance, litigation responsibility and management, and litigation document sharing and cooperation arising in connection with the Spin-Off. Generally, the agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of Oil States' business with Oil States. The agreement also establishes procedures for handling claims subject to indemnification and related matters. Pursuant to the Indemnification and Release Agreement, we and Oil States will generally release the other party from all claims arising prior to the Spin-Off other than claims arising under the transaction agreements, including the indemnification provisions described above. We evaluated the impact of the indemnifications given and the Civeo indemnifications received as of the Spin-Off date and concluded those fair values were immaterial.

#### 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Our accumulated other comprehensive loss decreased \$54.2 million from a \$60.0 million accumulated loss at December 31, 2013 to a \$5.8 million accumulated loss at June 30, 2014, as a result of foreign currency exchange rate differences. Changes in the other comprehensive loss during the first half of 2014 were primarily driven by the Australian 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\$1.0 billion and A\$972 million, respectively, at June 30, 2014.

#### 11. STOCK BASED COMPENSATION

Prior to the Spin-Off, certain employees of Civeo participated in Oil States' Equity Participation Plan (the Oil States Plan). The expense associated with these employees is reflected in the accompanying consolidated income statements. Effective May 30, 2014, our employees and non-employee directors began participating in the 2014 Equity Participation Plan of Civeo Corporation (the Civeo Plan). The Civeo Plan authorizes the Board of Directors to grant options, awards of restricted stock, performance awards, dividend equivalents, awards of deferred stock, and stock payments to our employees and non-employee directors. No more than 4 million shares of Civeo common stock may be awarded under the Civeo Plan.

In connection with the Spin-Off, stock based compensation awards granted under the Oil States Plan and held by Civeo grantees as of May 30, 2014 were replaced with substitute Civeo awards. Stock options were replaced with options to purchase Civeo common stock. Unvested restricted stock awards were replaced with substitute Civeo restricted stock awards. Additionally, phantom shares granted under the Canadian Long-Term Incentive Plan were converted to units that entitle the recipient to a lump sum cash payment equal to the fair market value of a share of Civeo's common stock on the respective vesting date. These replacements were intended to preserve the intrinsic value of the awards as of May 30, 2014. The substitution of these awards did not cause us to recognize incremental compensation expense as an equitable adjustment was required to be made as a result of the Spin-Off.

CIVEO CORPORATION

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**Outstanding Awards**

**Stock Options.** A total of 120,799 Oil States stock options were converted to 554,738 Civeo stock options at May 30, 2014. Compensation expense associated with stock options recognized in the three month periods ended June 30, 2014 and 2013 totaled \$0.2 million and \$0.4 million, respectively. Compensation expense associated with stock options recognized in the six month periods ended June 30, 2014 and 2013 totaled \$0.3 million and \$0.8 million, respectively.

At June 30, 2014, unrecognized compensation cost related to stock options was \$0.8 million, which is expected to be recognized over a weighted average period of 2.1 years.

**Restricted Stock Awards.** A total of 94,936 unvested Oil States restricted stock awards were converted to 435,999 unvested Civeo restricted stock awards at May 30, 2014. Included in this total were 20,000 Oil States performance based restricted stock awards, which vested in an amount that depended on Oil States achievement of specified performance objectives. In conjunction with the Spin-Off transaction, the awards were cancelled and the holders were granted 91,848 unvested Civeo restricted stock awards, of which half vest in February 2015 and the other half vest in February 2016.

On May 30, 2014, we granted 149,256 restricted stock awards 37,947 of the awards vest on May 30, 2015 and the remaining 111,309 vest in four equal annual installments beginning on May 30, 2015.

Compensation expense associated with restricted stock awards recognized in the three month periods ended June 30, 2014 and 2013 totaled \$1.1 million and \$0.3 million, respectively. Compensation expense associated with restricted stock awards recognized in the six month periods ended June 30, 2014 and 2013 totaled \$1.8 million and \$0.6 million, respectively. The total fair value of restricted stock awards that vested during the three months ended June 30, 2014 and 2013 was de minimis. The total fair value of restricted stock awards that vested during the six months ended June 30, 2014 and 2013 was \$2.5 million and \$0.9 million, respectively.

At June 30, 2014, unrecognized compensation cost related to restricted stock awards was \$9.5 million, which is expected to be recognized over a weighted average period of 3.2 years.

**Phantom Share Awards.** A total of 123,183 awards granted under the Canadian Long-Term Incentive Plan were converted to 565,706 units that entitle the recipient to a lump sum cash payment equal to the fair market value of a share of Civeo's common stock on the respective vesting date. These awards are accounted for as a liability that is remeasured at each reporting date until paid.

On May 30, 2014, we granted 4,337 phantom stock awards, all of which vest in three equal annual installments beginning on May 30, 2015. Compensation expense associated with phantom shares recognized in the three month periods ended June 30, 2014 and 2013 totaled \$4.1 million and \$1.0 million, respectively. Compensation expense associated with phantom shares recognized in the six month periods ended June 30, 2014 and 2013 totaled \$5.5 million and \$1.8 million, respectively.

At June 30, 2014, unrecognized compensation cost related to phantom shares was \$9.6 million, as remeasured at June 30, 2014, which is expected to be recognized over a weighted average period of 2.1 years.

**CIVEO CORPORATION**

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**12. SEGMENT AND RELATED INFORMATION**

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

Financial information by business segment for each of the three and six months ended June 30, 2014 and 2013 is summarized in the following table (in thousands):

	Total Revenues	Less: Intersegment Revenues	Revenues from unaffiliated customers	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
<b>Three months ended June 30, 2014</b>							
Canada	\$ 156,527	\$ (48)	\$ 156,479	\$ 21,347	\$ 25,424	\$ 71,868	\$ 1,084,335
Australia	54,383		54,383	16,246	(205)	5,399	961,775
United States	38,559	(22,288)	16,271	4,850	(3,767)	2,724	199,665
Corporate, stand-alone adjustments and eliminations	(22,336)	22,336	--	(30)	(5,226)	(1,849)	67,854
Total	<u>\$ 227,133</u>	<u>\$ --</u>	<u>\$ 227,133</u>	<u>\$ 42,413</u>	<u>\$ 16,226</u>	<u>\$ 78,142</u>	<u>\$ 2,313,629</u>
<b>Three months ended June 30, 2013</b>							
Canada	\$ 163,730	\$ (2,778)	\$ 160,952	\$ 20,736	\$ 37,638	\$ 49,971	\$ 890,462
Australia	64,043		64,043	16,598	17,527	23,907	885,997
United States	27,746	(9,751)	17,995	4,114	(1,540)	18,029	200,208
Corporate, stand-alone adjustments and eliminations	(12,529)	12,529	--	(37)	(1,993)	(1,218)	4,777
Total	<u>\$ 242,990</u>	<u>\$ --</u>	<u>\$ 242,990</u>	<u>\$ 41,411</u>	<u>\$ 51,632</u>	<u>\$ 90,689</u>	<u>\$ 1,981,444</u>
<b>Six months ended June 30, 2014</b>							
Canada	\$ 337,108	\$ (305)	\$ 336,803	\$ 41,341	\$ 67,466	\$ 131,834	\$ 1,084,335
Australia	109,847		109,847	31,086	15,638	7,580	961,775
United States	72,685	(39,403)	33,282	9,649	(5,428)	5,682	199,665
Corporate, stand-alone adjustments and eliminations	(39,708)	39,708	--	(64)	(8,590)	(3,429)	67,854
Total	<u>\$ 479,932</u>	<u>\$ --</u>	<u>\$ 479,932</u>	<u>\$ 82,012</u>	<u>\$ 69,086</u>	<u>\$ 141,667</u>	<u>\$ 2,313,629</u>
<b>Six months ended June 30, 2013</b>							
Canada	\$ 371,384	\$ (2,781)	\$ 368,603	\$ 40,836	\$ 106,274	\$ 90,784	\$ 890,462
Australia	131,772		131,772	33,705	37,093	39,589	885,997
United States	47,654	(10,501)	37,153	8,028	3,003	31,519	200,208
Corporate, stand-alone adjustments and eliminations	(13,282)	13,282	--	(70)	(3,977)	(1,287)	4,777
Total	<u>\$ 537,528</u>	<u>\$ --</u>	<u>\$ 537,528</u>	<u>\$ 82,499</u>	<u>\$ 142,393</u>	<u>\$ 160,605</u>	<u>\$ 1,981,444</u>

**13. RELATED PARTY TRANSACTIONS**

Our related parties included Oil States until May 30, 2014, the effective date of the Spin-Off.

On May 27, 2014, in connection with the Spin-off, we entered into several agreements with Oil States that govern the Spin-Off and the relationship of the parties following the Spin-Off. Because the terms of these agreements were entered into in the context of a related party transaction, the terms may not be comparable to terms that would be obtained in a transaction between unaffiliated parties.

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The Separation and Distribution Agreement between us and Oil States contains the key provisions relating to the separation of our business from Oil States and the distribution of our common stock to Oil States stockholders. The Separation and Distribution Agreement identifies the assets that were transferred or sold, liabilities that were assumed or sold and contracts that were assigned to us by Oil States or by us to Oil States in the Spin-Off and describes how these transfers, sales, assumptions and assignments occurred. Pursuant to the Separation and Distribution Agreement, on May 28, 2014, we made a cash distribution to Oil States of \$750 million.

The Indemnification and Release Agreement governs the treatment of all aspects relating to indemnification, insurance, litigation responsibility and management, and litigation document sharing and cooperation. Generally, the Indemnification and Release Agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of Oil States' business with Oil States. The Indemnification and Release Agreement also establishes procedures for handling claims subject to indemnification and related matters. Pursuant to the Indemnification and Release Agreement, we and Oil States will generally release the other party from all claims arising prior to the Spin-Off other than claims arising under the transaction agreements, including the indemnification provisions described above. See Note 9.

The Tax Sharing Agreement governs the respective rights, responsibilities and obligations of Oil States and us with respect to taxes and tax benefits, the filing of tax returns, the control of audits, restrictions on us to preserve the tax-free status of the Spin-Off and other tax matters.

The Employee Matters Agreement provides that each company has responsibility for its own employees and compensation plans. The agreement also contains provisions regarding stock-based compensation. See Note 11.

The Transition Services Agreement sets forth the terms on which Oil States will provide to us, and we will provide to Oil States, on a temporary basis, certain services or functions that the companies historically have shared. Transition services provided to us by Oil States may include administrative, payroll, legal, human resources, data processing, financial audit support, financial transaction support, and other support services, information technology systems and various other corporate services. Transition services provided to Oil States by us may include information technology systems, financial audit support, tax support and other corporate services. The agreement provides for the provision of specified transition services, generally for a period of up to nine months from the date of the Spin-Off, with a possible extension of 1 month (an aggregate of 10 months) at a predetermined fee based on estimated cost to Oil States. We incurred costs totaling \$0.2 million under the Transition Services Agreement for June 2014.

***Parent Company Services Provided and Corporate Allocations***

Prior to the Spin-Off, Oil States provided services to and funded certain expenditures of Civeo. The most significant of these services and expenditures were: (1) funding expenditures to settle domestic accounts payable; (2) funding and processing of domestic payroll; (3) share-based compensation; and (4) certain transaction-related expenditures. The consolidated financial statements of Civeo reflect these expenditures. During the three months ended June 30, 2014 and 2013, \$8.7 million and \$33.9 million, respectively, of expenditures for services received from Oil States or funding for expenditures provided by Oil States were included in the consolidated financial statements. During the six months ended June 30, 2014 and 2013, \$41.7 million and \$63.7 million, respectively, of expenditures for services received from Oil States or funding for expenditures provided by Oil States were included in the consolidated financial statements.

Prior to the Spin-Off, the consolidated statements of income also include general corporate expense allocations, which include costs incurred by Oil States for certain corporate functions such as executive management, finance, information technology, tax, internal audit, risk management, legal, human resources and treasury. During the three months ended June 30, 2014 and 2013, we were allocated \$1.2 million and \$1.3 million, respectively, in respect of these corporate expenses which are included within selling, general and administrative expenses in the consolidated statements of income. During the six months ended June 30, 2014 and 2013, we were allocated \$2.8 million and \$2.7 million, respectively, in respect of these corporate expenses which are included within selling, general and administrative expenses in the consolidated statements of income.

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***Oil States Net Investment***

Net transfers to Oil States are included within Oil States net investment on the consolidated balance sheets. The components of the change in Oil States net investment for the six months ended June 30, 2014 and 2013 are as follows (in thousands):

	<b>2014</b>	<b>2013</b>
Cash transfers and general financing activities	\$ (13,255)	\$ 19,329
Services received or funding for expenditures	41,725	63,671
Corporate allocations, including income tax provision (1)	3,950	5,270
Net increase in Oil States net investment	<u>\$ 32,420</u>	<u>\$ 88,270</u>

(1) Corporate allocations includes the general corporate expense allocations of \$2.8 million and \$2.7 million for the six months ended June 30, 2014 and 2013, respectively, the impact of the income tax provision, the allocation of corporate insurance premiums, and the attribution of certain assets and liabilities that have historically been held at the Oil States corporate level, but which are specifically identifiable or otherwise allocable to us. The attributed assets and liabilities are included in Civeo's consolidated balance sheets.

***Supplemental Cash Flow Information***

In accordance with the Separation and Distribution Agreement, our affiliate debt with Oil States, which totaled approximately \$336.8 million as of May 30, 2014, including accrued interest, was settled through a non-cash capital contribution.

**14. SUBSEQUENT EVENT**

On July 29, 2014, we announced that our board of directors had declared a quarterly cash dividend of \$0.13 per share of common stock, payable on August 29, 2014 to shareholders of record on August 15, 2014.

## 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. 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 Amendment No. 5 to our registration statement on Form 10 filed with the Securities and Exchange Commission on May 8, 2014. 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.*

*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 stockholders 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.

Unless otherwise stated or the context otherwise indicates, all references to “Civeo”, “the Company,” “us,” “our” or “we” for the time period prior to the separation mean the Accommodations business of Oil States. For time periods after the separation, these terms refer to the legal entity Civeo Corporation and its consolidated subsidiaries.

#### ***Spin-off***

On May 5, 2014, the Oil States International, Inc. (Oil States) board of directors approved the separation of its Accommodations segment (Accommodations) into a standalone, publicly traded company, Civeo Corporation. In accordance with the Separation and Distribution Agreement, the two companies were separated by Oil States distributing to its stockholders all 106,538,044 shares of common stock of Civeo it held after the market closed on May 30, 2014 (the Spin-Off). Each Oil States stockholder received two shares of Civeo common stock for every one share of Oil States stock held at the close of business on the record date of May 21, 2014. In conjunction with the separation, Oil States received a private letter ruling from the Internal Revenue Service to the effect that, based on certain facts, assumptions, representations and undertakings set forth in the ruling, for U.S. federal income tax purposes, the distribution of Civeo common stock was not taxable to Oil States or U.S. holders of Oil States common stock. Following the separation, Oil States retained no ownership interest in Civeo, and each company now has separate public ownership, boards of directors and management. A registration statement on Form 10, as amended through the time of its effectiveness, describing the separation was filed by Civeo with the U.S. Securities and Exchange Commission (SEC) and was declared effective on May 8, 2014 (the Form 10). On June 2, 2014, Civeo stock began trading the “regular-way” on the New York Stock Exchange under the “CVEO” stock symbol. Pursuant to the Separation and Distribution Agreement with Oil States, on May 28, 2014, we made a special cash distribution to Oil States of \$750 million.

In connection with the Spin-Off, on May 28, 2014, we entered into a \$650.0 million, 5-year revolving credit facility and a 5-year U.S. term loan facility totaling \$775.0 million. For further discussion, please see “Liquidity and Capital Resources” below and Note 6 – Debt to the accompanying consolidated financial statements.

### **Description of the Business**

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

### **Basis of Presentation**

Prior to the Spin-Off, our financial position, results of operations and cash flows consisted of the Oil States’ Accommodations business, which represented a combined reporting entity. The combined financial statements included in this quarterly report on Form 10-Q have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of Oil States. The combined financial statements reflect our historical financial position, results of operations and cash flows as we were historically managed, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The combined financial statements include certain assets and liabilities that have historically been held at the Oil States corporate level, but are specifically identifiable or otherwise attributable to us.

All financial information presented after the Spin-Off represents the consolidated results of operation, financial position and cash flows of Civeo. Accordingly:

- Our consolidated statements of income and comprehensive income for the three months ended June 30, 2014 consist of the consolidated results of Civeo for the month ended June 30, 2014, and the combined results of the Oil States’ Accommodations business for the two months ended May 31, 2014. Our consolidated statements of income and comprehensive income for the six months ended June 30, 2014 consist of the consolidated results of Civeo for the one month ended June 30, 2014 and of the combined results of the Oil States’ Accommodations business for the five months ended May 31, 2014. Our consolidated statements of income and comprehensive income for the three and six months ended June 30, 2013 consist entirely of the combined results of the Oil States’ Accommodations business.
- Our consolidated balance sheet at June 30, 2014, consists of the consolidated balances of Civeo, while at December 31, 2013, it consists entirely of the combined balances of the Oil States’ Accommodations business.
- Our consolidated statements of cash flows and changes in stockholders’ equity / net investment for the six months ended June 30, 2014 consist of the consolidated results of Civeo for the one month ended June 30, 2014, and the combined results of the Oil States’ Accommodations business for the five months ended May 31, 2013. Our consolidated statements of cash flows and changes in stockholders’ equity / net investment for the six months ended June 30, 2013 consist entirely of the combined results of the Oil States’ Accommodations business.

The assets and liabilities in our consolidated financial statements have been reflected on a historical basis, as immediately prior to the Spin-Off all of the assets and liabilities presented were wholly owned by Oil States and were transferred within the Oil States consolidated group. All significant intercompany transactions and accounts have been eliminated. All affiliate transactions between Civeo and Oil States have been included in the consolidated financial statements included in this quarterly report on Form 10-Q.

The consolidated financial statements for periods prior to the Spin-Off included expense allocations for: (1) certain corporate functions historically provided by Oil States, including, but not limited to finance, legal, risk management, tax, treasury, information technology, human resources, and certain other shared services; (2) certain employee benefits and incentives; and (3) equity-based compensation. These expenses were allocated to us on the basis of direct usage when identifiable, with the remainder allocated based on estimated time spent by Oil States personnel, a pro-rata basis of headcount or other relevant measures of Oil States and its subsidiaries. We consider the basis on which the expenses were allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by us during the periods presented. The allocations may not, however, reflect the expense we would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if we had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, which functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Following the Spin-Off, Civeo is performing these functions using its own resources or purchased services. For an interim period, however, some of these functions will continue to be provided by Oil States under a Transition Services Agreement, which extends for a period of up to 9 months, depending on the service being provided. See Note 13 – Related Party Transactions to the accompanying consolidated financial statements.

## Macroeconomic Environment

We provide workforce accommodations to the natural resource industry in Canada, Australia and the United States. 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. Initial demand for our services is 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 is driven by continued development and expansion of natural resource production and operation of oil sands refining facilities. Industry capital spending programs are generally based on the long-term outlook for commodity prices, economic growth and estimates of resource production. As a result, demand for our products and services is largely sensitive to expected commodity prices, principally related to crude oil, metallurgical (met) coal and, to a lesser extent, natural gas.

In Canada, Western Canadian Select (WCS) crude is the benchmark price for our oil sands accommodations' customers. Pricing for WCS is driven by several factors. A significant factor affecting WCS pricing is the underlying price for West Texas Intermediate (WTI). As WTI prices have increased over the past few years with the global economic recovery, WCS prices have also increased. Another significant factor affecting WCS pricing has been the availability of transportation infrastructure. Historically, WCS has traded at a discount to WTI, creating a "WCS Basis Differential," due to transportation costs and limited capacity to move growing Canadian heavy oil production to U.S. refineries. Depending on the extent of pipeline capacity availability, the WCS Basis Differential has varied. With the increase in global oil prices and increased transportation capacity from the oil sands region due to rail and barge alternatives, the absolute price of WCS has increased and the WCS Basis Differential has slightly decreased. WCS prices in the second quarter of 2014 averaged \$83.78 per barrel compared to \$77.76 per barrel in the first quarter of 2014. The WCS Basis Differential expanded modestly from \$20.01 per barrel at the end of the first quarter of 2014 to \$21.00 per barrel by the end of the second quarter of 2014, due to increased demand from U.S. refineries, a continued increase in crude by rail volumes and a number of pipeline capacity improvements and expansion projects. As of July 14, 2014, the WCS Basis Differential was \$22.50. Should the price of WTI decline or the WCS Basis Differential widen, our oil sands customers may delay additional investments or reduce their spending in the oil sands region.

Given the historical volatility of WTI crude prices and the WCS Basis Differential, there remains a risk that prices in the oil sands could deteriorate going forward due to slowing economic growth in China, fiscal and financial uncertainty in the U.S. and various European countries, potentially negative effects on the U.S. economy due to a prolonged level of relatively high unemployment in the U.S. and other advanced economies. However, if the global supply of oil and global inventory levels were to decrease due to government instability in a major oil-producing nation and energy demand continues to increase in countries such as China, India and the U.S., we could see continued and/or additional increases in WTI crude prices which coupled with an improvement in takeaway capacity from the oil sands could improve WCS pricing. This, in turn, could lead to our oil sands customers increasing their investments in oil sands production. Conversely, if WCS crude prices continue to experience a significant discount to WTI crude, our oil sands customers may have an incentive to delay additional investments in their oil sands assets.

Natural gas prices and WTI crude oil pricing, discussed above, have an impact on the demand for our U.S. accommodations. Prices for natural gas in the U.S. averaged \$4.58 per mcf in the second quarter of 2014, a 14% increase over the second quarter 2013 average price. Natural gas prices remain elevated on a year over year basis due to the above average storage withdrawals experienced during the extremely cold winter weather in many parts of the U.S., lower net imports from Canada and higher residential, commercial and industrial demand. During the quarter, natural gas prices ranged from a low of \$4.28 per mcf to a high of \$4.83 per mcf. Natural gas prices have declined for more recent periods, trading at approximately \$3.96 per mcf as of August 8, 2014. The improvement in demand for natural gas, largely as a result of extreme winter weather, has resulted in significant declines in natural gas inventories in the U.S. Currently, natural gas in storage in the US is 29% below the 5 year average. In spite of the increases in natural gas prices, additional customer spending in the natural gas shale plays has been limited as natural gas production from already developed unconventional natural gas resources in North America remained high during the quarter. As a result of natural gas production growth outpacing demand in the U.S., natural gas prices continue to be weak relative to prices experienced in 2006 through 2008 and are expected to remain below levels considered economic for new investments in numerous natural gas fields. Consequently, the U.S. natural gas-related working rig count has declined from more than 430 rigs at the beginning of 2013 to 316 rigs as of August 8, 2014. If natural gas production growth continues to surpass demand in the U.S. and/or the supply of natural gas were to increase, whether the supply comes from conventional or unconventional production or associated natural gas production from oil wells, prices for natural gas could be constrained for an extended period and result in fewer rigs drilling for natural gas in the near-term.

Our Australian villages in the Bowen Basin primarily serve coal mines in that region. Met coal pricing and growth in production in the Bowen Basin region is influenced by levels of global steel production. Because Chinese steel production has been growing at a slower pace than that experienced in 2011 and early 2012, Chinese demand for imported steel inputs such as met coal and iron ore continued to decrease during the second quarter of 2014 compared to the second quarter of 2013. As a result, spot met coal prices have decreased materially from over \$160/metric ton at the beginning of 2013 to approximately \$115/metric ton at the end of the second quarter of 2014. Depressed met coal prices have led to the implementation of cost control measures by our customers, some coal mine closures and delays in the start-up of new coal mining projects in Australia. A continued depressed met coal price will impact our customers' future capital spending programs. However, steel consumption per capita in China is less than one-third of the amount installed in the U.S. economy, suggesting a favorable outlook for Chinese steel production and met coal demand over a longer time horizon.

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

Quarter ended	Average Price <sup>(1)</sup>			
	WTI Crude (per bbl)	WCS Crude (per bbl)	Hard Coking Coal (Met Coal) (per ton)	Henry Hub Natural Gas (per mcf)
6/30/2014	\$ 103.06	\$ 83.78	\$ 114.94	\$ 4.58
3/31/2014	98.68	77.76	125.73	5.18
12/31/2013	97.50	66.34	143.76	3.85
9/30/2013	105.83	83.10	142.21	3.55
6/30/2013	94.05	77.48	149.94	4.02
3/31/2013	94.33	66.86	167.71	3.49
12/31/2012	88.01	61.34	156.79	3.40
9/30/2012	92.17	76.75	187.88	2.88
6/30/2012	93.38	73.53	216.49	2.29
3/31/2012	102.85	75.82	212.20	2.44
12/31/2011	94.03	81.56	236.69	3.32

(1) Source: WTI crude and natural gas prices from U.S. Energy Information Administration (EIA) and WCS crude prices and Queensland hard coking coal index from Bloomberg.

## Overview

As noted above, demand for our services is primarily tied to the long-term 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 the U.S., Canada and Australia and in other markets.

Our business is predominantly located in northern Alberta, Canada and Queensland, Australia, and we derive most of our business from resource companies who are developing and producing oil sands and met coal resources and, to a lesser extent, other hydrocarbon and mineral resources. More than three-fourths of our revenue is generated by our large-scale lodge and village facilities. Where traditional accommodations and infrastructure are insufficient, inaccessible or not cost effective, our lodge and village facilities provide comprehensive accommodations services similar to those found in an urban hotel. We typically contract our facilities to our customers on a fee per day basis covering lodging and meals that is based on the duration of their needs which can range from several months to several years.

Generally, our customers are making multi-billion dollar investments to develop their prospects, which have estimated reserve lives of ten years to in excess of thirty years. Consequently, these investments are dependent on those customers' longer-term view of commodity demand and prices. Oil sands development and production activity has increased over the past several years and has had a positive impact on our Canadian business.

Recent announcements of certain new and expanded oil sands projects can create the opportunity to extend existing accommodations contracts and incremental contracts for us in Canada. For example, we were recently awarded a three-year contract in January 2014 to provide accommodations in support of a new oil sand mining project. We will serve this client at our new McClelland Lake Lodge, which began operations in the second quarter of 2014 and will have 1,977 rooms by year end. However, given the WCS discount to WTI, several oil sands customers have announced the deferral of certain new oil sands projects, which could negatively affect our ability to expand our oil sands room count or our occupancy levels in the near term.

We expanded our Australian room capacity in 2012 and 2013 to meet increasing demand, notably in the Bowen Basin in Queensland and in the Gunnedah Basin in New South Wales to support coal production, and in Western Australia to support LNG and other energy-related projects. In early 2013, a confluence of low met coal pricing, additional carbon and mining taxes on our Australian accommodations customers and several years of cost inflation caused several of our customers to curtail production from higher cost mines and delay or materially reduce their growth plans. This has negatively affected our ability to expand our room count and has led to a decrease in occupancy levels. It has also caused one of our customers to reduce their forward room commitments in return for contract amendment payments beginning in March 2014, which is being recognized as additional revenue on a straight-line basis over the remaining life of the customer contracts.

Exchange rates between the U.S. dollar and the Canadian dollar and between the U.S. dollar and the Australian dollar influence our U.S. reported financial results. Our business has historically derived a vast majority of its revenues and operating income in Canada and Australia. These revenues and profits are translated into U.S. dollars for U.S. GAAP financial reporting purposes. The Canadian dollar was valued at an average exchange rate of U.S. \$0.91 for the first half of 2014 compared to U.S. \$0.98 for the first half of 2013, a decrease of approximately 7%. The Australian dollar was valued at an average exchange rate of U.S. \$0.92 for the first half of 2014 compared to U.S. \$1.02 for the first half of 2013, a decrease of approximately 10%. This weakening of the Canadian and Australian dollars has and may continue to have a proportionately negative impact on the translation of earnings generated from our Canadian and Australian subsidiaries and, therefore, our financial results.

We continue to monitor the global economy, the demand for crude oil, met coal and natural gas and the resultant impact on the capital spending plans of our customers in order to plan our business. We currently expect that our 2014 capital expenditures will total approximately \$300 million to \$350 million, compared to 2013 capital expenditures of \$292 million. Please see "Liquidity and Capital Resources" below for further discussion of 2014 capital expenditures.

## Results of Operations

Unless otherwise indicated, discussion of results for the three- and six-month period ended June 30, 2014, is based on a comparison with the corresponding period of 2013.

### Results of Operations – Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

	THREE MONTHS ENDED		
	JUNE 30,		
	2014	2013	Change
	(\$ in thousands)		
<b>Revenues</b>			
Canada	\$ 156,479	\$ 160,952	\$ (4,473)
Australia	54,383	64,043	(9,660)
United States and other	16,271	17,995	(1,724)
<b>Total revenues</b>	<b>227,133</b>	<b>242,990</b>	<b>(15,857)</b>
<b>Costs and expenses</b>			
<b>Cost of sales and services</b>			
Canada	96,573	94,773	1,800
Australia	24,950	24,993	(43)
United States and other	11,782	12,828	(1,046)
<b>Total cost of sales and services</b>	<b>133,305</b>	<b>132,594</b>	<b>711</b>
Selling, general and administrative expenses	21,708	16,898	4,810
Spin-off and formation costs	1,896	--	1,896
Depreciation and amortization expense	42,413	41,411	1,002
Impairment expense	11,610	--	11,610
Other operating expense (income)	(25)	455	(480)
<b>Total costs and expenses</b>	<b>210,907</b>	<b>191,358</b>	<b>19,549</b>
<b>Operating income</b>	<b>16,226</b>	<b>51,632</b>	<b>(35,406)</b>
Interest expense and income, net	(7,561)	(7,161)	(400)
Other income	709	192	517
Income before income taxes	9,374	44,663	(35,289)
Income tax benefit (provision)	4,911	(11,360)	16,271
Net income	14,285	33,303	(19,018)
Less: Net income attributable to noncontrolling interest	336	333	3
<b>Net income attributable to Civeo</b>	<b>\$ 13,949</b>	<b>\$ 32,970</b>	<b>\$ (19,021)</b>

We reported net income attributable to Civeo for the quarter ended June 30, 2014 of \$13.9 million, or \$0.13 per diluted share. As further discussed in Impairment expense and Interest expense and income, net, below, net income included \$12.2 million of after-tax charges, or \$0.12 per diluted share, resulting from the Spin-Off. In addition, we incurred severance costs of \$4.1 million, or \$0.03 per diluted share, included in Selling, general and administrative expenses below and impairment costs of \$2.6 million, or \$0.02 per diluted share, included in Impairment expense below. These results compare to net income attributable to Civeo for the quarter ended June 30, 2013 of \$33.0 million, or \$0.31 per diluted share. This included \$1.2 million, or \$0.01 per diluted share, of losses incurred on extinguishment of debt.

**Revenues.** Consolidated revenues decreased \$15.9 million, or 7%, in the second quarter of 2014 compared to the second quarter of 2013. This decline was largely driven by decreases in both Canada, due to weaker Canadian exchange rates and lower RevPAR, and Australia, due to weaker Australian exchange rates and lower occupancy, as further described in the segment discussion below.

**Cost of Sales and Services.** Our consolidated cost of sales increased \$0.7 million, or 1%, in the second quarter of 2014 compared to the second quarter of 2013 primarily due to increases in Canada, due to weaker Canadian exchange rates, offset by decreases in the United States, due to lower occupancy levels. Please see further description in segment discussion below.

**Selling, General and Administrative Expenses.** Selling, general and administrative (SG&A) expense increased \$4.8 million, or 28%, in the second quarter of 2014 compared to the second quarter of 2013 primarily due to severance costs associated with the termination of an executive totaling \$4.1 million.

**Spin-Off and Formation Costs.** Spin-off and formation costs of \$1.9 million relate to transition costs incurred during the second quarter of 2014 associated with becoming a stand-alone company.

**Depreciation and Amortization Expense.** Depreciation and amortization expense increased \$1.0 million, or 2%, in the second quarter of 2014 compared to the second quarter of 2013 primarily due to capital expenditures made during the last twelve months.

**Impairment Expense.** Impairment expense of \$11.6 million in the second quarter of 2014 consisted of a \$9.0 million impairment of an intangible asset in Australia. Due to the Spin-Off, and the resulting rebranding of our Australian operations from The MAC to Civeo, it was determined that the fair value of an intangible asset associated with The MAC brand was nil. Additionally, we recognized an impairment totaling \$2.6 million on assets that are in the custody of non-paying customers in Mexico, and for which the return or reimbursement is unlikely.

**Operating Income.** Consolidated operating income decreased \$35.4 million, or 69%, in the second quarter of 2014 compared to the second quarter of 2013 primarily as a result of the lower revenue described above and in the segment discussion below, as well as the impairment expense and severance costs discussed above.

**Interest Expense and Interest Income, net.** Net interest expense, including interest expense and income to/from affiliates, increased by \$0.4 million, or 6%, in the second quarter of 2014 compared to the second quarter of 2013 primarily due to the write-off of \$3.5 million debt issuance costs associated with the credit agreement that was terminated in conjunction with the Spin-Off partially offset by repayment of the Australian revolving credit facility and the Canadian term loan in the first half of 2013. The Company wrote-off \$1.2 million of debt issuance costs associated with the Canadian term loan repayment. Interest income increased as a result of higher cash balances during second quarter of 2014 compared to 2013.

**Income Tax Provision.** Our income tax benefit for the three months ended June 30, 2014 totaled \$4.9 million, or (52.4%) of pretax income, compared to income tax expense of \$11.4 million, or 25.4% of pretax income, for the three months ended June 30, 2013. The negative effective tax rate for the three months ended June 30, 2014 is due to a reduction in the 2014 annual effective tax rate from March 31, 2014 to June 30, 2014 due to changes in our corporate structure, including the contribution by Oil States of our affiliate debt. Under ASC 740-270, Accounting for Income Taxes, the quarterly tax provision is based on our current estimate of the annual effective tax rate less the prior quarter's year-to-date tax provision.

**Other Comprehensive Income (Loss).** Other comprehensive income increased \$173.3 million in the second quarter of 2014 compared to the second quarter of 2013 primarily as a result of foreign currency translation adjustments due to changes in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar exchange rate compared to the U.S. dollar increased 4% in the second quarter of 2014 compared to a 3% decrease in the second quarter of 2013. The Australian dollar exchange rate compared to the U.S. dollar increased 2% in the second quarter of 2014 compared to a 12% decrease in the second quarter of 2013.

Segment Results of Operations – Canadian Segment

	THREE MONTHS ENDED		
	JUNE 30,		
	2014	2013	Change
Revenues (\$ in thousands)			
Lodge revenue (1)	\$ 122,709	\$ 133,935	\$ (11,226)
Mobile, open camp and product revenue	33,770	27,017	6,753
Total revenues	\$ 156,479	\$ 160,952	\$ (4,473)
Cost of sales and services (\$ in thousands)	\$ 96,573	\$ 94,773	\$ 1,800
Gross margin as a % of revenues	38.3%	41.1%	(2.8%)
Average Available Lodge Rooms (2)	12,296	11,447	849
RevPAR for Lodges (3)	\$ 110	\$ 129	\$ (19)
Occupancy in Lodges (4)	88%	90%	(2%)
Canadian dollar to US dollar	\$ 0.917	\$ 0.977	\$ (0.060)

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

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

(3) RevPAR, or revenue per available room, is defined as lodge revenue divided by the product of (a) average available rooms and (b) days in the period. An available room is defined as a calendar day during which the room is available for occupancy.

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

Our Canadian segment reported revenues in the second quarter of 2014 that were \$4.5 million, or 3%, lower than the second quarter of 2013. The weakening of the Canadian dollar relative to the U.S. dollar by 6% in the second quarter of 2014 compared to the second quarter of 2013 resulted in a \$10.2 million year-over-year reduction in revenues. In addition, excluding the impact of the weaker Canadian exchange rates, the segment experienced a 2% decline in lodge revenues primarily due to a 9% year-over-year decrease in RevPAR largely related to contracted room rate reductions and the shutdown of Lakeside Lodge during the second quarter of 2014. In addition, revenues were reduced by approximately \$4.9 million due to a contract amendment. Lodge revenues in the second quarter of 2014 were partially offset by a 7% increase year-over-year in average available rooms.

Our Canadian segment cost of sales and services increased \$1.8 million, or 2%, in the second quarter of 2014 compared to the second quarter of 2013. Although revenue decreased due to lower contracted room rates, a corresponding decrease did not occur in cost of sales and services, as average available rooms increased. This was partially offset by the weakening of the average exchange rates.

Our Canadian segment gross margin as a percentage of revenues decreased from 41% in the second quarter of 2013 to 38% in the second quarter of 2014 primarily due to lower contracted room rates and the contract amendment.

## Segment Results of Operations – Australian Segment

	THREE MONTHS ENDED JUNE 30,		
	2014	2013	Change
Revenues (\$ in thousands)			
Village revenue (1)	\$ 54,383	\$ 64,043	\$ (9,660)
Cost of sales (\$ in thousands)	\$ 24,950	\$ 24,993	\$ (43)
Gross margin as a % of revenues	54.1%	61.0%	(6.9%)
Average Available Village Rooms (2)	9,258	8,754	504
RevPAR for Villages (3)	\$ 65	\$ 80	\$ (15)
Occupancy in Villages (4)	65%	84%	(19%)
Australian dollar to US dollar	\$ 0.933	\$ 0.991	\$ (0.058)

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

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

(3) RevPAR, or revenue per available room, is defined as village revenue divided by the product of (a) average available rooms and (b) days in the period. An available room is defined as a calendar day during which the room is available for occupancy.

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

Our Australian segment reported revenues in the second quarter of 2014 that were \$9.7 million, or 15%, lower than the second quarter of 2013. The weakening of the average exchange rates for Australian dollars relative to the U.S. dollar by 6% in the second quarter of 2014 compared to the second quarter of 2013 resulted in a \$3.4 million year-over-year reduction in revenues. Village revenues in the second quarter of 2014 were also negatively impacted by lower occupancy levels compared to the second quarter of 2013, primarily as a result of the continued slowdown in mining activity, partially offset by the contributions of Boggabri Village, which commenced operations in the fourth quarter 2013.

Our Australian segment cost of sales decreased by less than \$0.1 million in the second quarter of 2014 compared to the second quarter of 2013. The weakening of the Australian dollar was completely offset by increased repair and maintenance costs associated with a water treatment facility as well as higher development expenses.

Our Australian segment gross margin as a percentage of revenues declined from 61% in the second quarter of 2013 to 54% in the second quarter of 2014. The decline is largely due to increased repair and maintenance costs associated with a water treatment facility as well as costs incurred for a proposed development that will not move forward.

## Segment Results of Operations – United States Segment

Our United States segment reported revenues in the second quarter of 2014 of \$16.3 million, which were \$1.7 million, or 10%, lower than the second quarter of 2013. Mobile camp revenues in the second quarter of 2014 were negatively impacted by lower occupancy levels and pricing compared to the second quarter of 2013, primarily as a result of increased competition, but were positively affected by the addition of two new lodges that were not operating in the second quarter of 2013.

Our United States cost of sales decreased \$1.0 million, or 8%, in the second quarter of 2014 compared to the second quarter of 2013. The decrease was driven by lower occupancy levels.

Our United States segment gross margin as a percentage of revenues decreased from 29% in the second quarter of 2013 to 28% in the second quarter of 2014 primarily due to lower contracted room rates and lower occupancy levels in the United States.

Consolidated Results of Operations – Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

	SIX MONTHS ENDED		
	JUNE 30,		
	2014	2013	Change
	(\$ in thousands)		
<b>Revenues</b>			
Canada	\$ 336,803	\$ 368,603	\$ (31,800)
Australia	109,847	131,772	(21,925)
United States and other	33,282	37,153	(3,871)
<b>Total revenues</b>	<b>479,932</b>	<b>537,528</b>	<b>(57,596)</b>
<b>Costs and expenses</b>			
<b>Cost of sales and services</b>			
Canada	206,268	205,410	858
Australia	45,978	51,341	(5,363)
United States and other	24,569	26,291	(1,722)
<b>Total cost of sales and services</b>	<b>276,815</b>	<b>283,042</b>	<b>(6,227)</b>
Selling, general and administrative expenses	37,853	33,165	4,688
Spin-off and formation costs	2,469	--	2,469
Depreciation and amortization expense	82,012	82,499	(487)
Impairment expense	11,610	--	11,610
Other operating expense (income)	87	(3,571)	3,658
<b>Total costs and expenses</b>	<b>410,846</b>	<b>395,135</b>	<b>15,711</b>
Operating income	69,086	142,393	(73,307)
Interest expense and income, net	(11,752)	(13,570)	1,818
Other income	947	602	345
Income before income taxes	58,281	129,425	(71,144)
Income tax provision	(7,400)	(31,932)	24,532
Net income	50,881	97,493	(46,612)
Less: Net income attributable to noncontrolling interest	693	711	(18)
Net income attributable to Civeo	<u>\$ 50,188</u>	<u>\$ 96,782</u>	<u>\$ (46,594)</u>

We reported net income attributable to Civeo for the six months ended June 30, 2014 of \$50.2 million, or \$0.47 per diluted share. As further discussed in Impairment expense and Interest expense and income, net, below, net income included \$12.7 million of after-tax charges, or \$0.12 per diluted share, resulting from the Spin-Off. In addition, we also incurred severance costs of \$4.1 million, or \$0.03 per diluted share, included in Selling, general and administrative expenses below and impairment costs of \$2.6 million, or \$0.02 per diluted share, included in Impairment expense below. These results compare to net income attributable to Civeo for the six months ended June 30, 2013 of \$96.8 million, or \$0.91 per diluted share, including a pre-tax gain of \$4.0 million, or \$0.03 per diluted share after-tax from a decrease to a liability associated with contingent acquisition consideration. 2013 net income also included \$1.2 million, or \$0.01 per diluted share, of losses incurred on extinguishment of debt.

**Revenues.** Consolidated revenues decreased \$57.6 million, or 11%, in the first half of 2014 compared to the first half of 2013. This decline was largely driven by decreases in both Canada, due to weaker Canadian exchange rates and lower RevPAR, and Australia, due to weaker Australian exchange rates and lower occupancy, as further described in the segment discussion below.

**Cost of Sales and Service.** Our consolidated cost of sales decreased \$6.2 million, or 2%, in the first half of 2014 compared to the first half of 2013 primarily due to lower variable costs related to lower occupancy in Australia and decreases in Australia due to exchange rate fluctuations. Please see further segment discussion below.

**Selling, General and Administrative Expenses.** Selling, general and administrative (SG&A) expense increased \$4.7 million, or 14%, in the first half of 2014 compared to the first half of 2013 primarily due to severance costs associated with the termination of an executive totaling \$4.1 million.

**Spin-Off and Formation Costs.** Spin-off and formation costs of \$2.5 million relate to transition costs incurred associated with becoming a stand-alone company.

**Depreciation and Amortization Expense.** Depreciation and amortization expense decreased \$0.5 million, or less than one percent, in the first half of 2014 compared to the first half of 2013 primarily due to lower depreciation expense in our Canadian and Australian segments due to the weakening of the average exchange rates for Canadian and Australian dollars relative to the U.S. dollar and the extension of a land lease for two of our Canadian lodges. This was partially offset by capital expenditures made during the last twelve months.

**Impairment Expense.** Impairment expense of \$11.6 million, in the second quarter of 2014 consisted of a \$9.0 million impairment of an intangible asset in Australia. Due to the Spin-Off, and the resulting rebranding of our Australian operations from The MAC to Civeo, it was determined that the fair value of an intangible asset associated with The MAC brand was nil. Additionally, we recognized an impairment totaling \$2.6 million on assets that are in the custody of non-paying customers in Mexico, and for which the return or reimbursement is unlikely.

**Operating Income.** Consolidated operating income decreased \$73.3 million, or 51%, in the first half of 2014 compared to the first half of 2013 primarily as a result of lower revenue described above and in the segment discussion below, as well as the impairment expense and severance costs discussed above.

**Interest Expense and Interest Income, net.** Net interest expense, including interest expense and income to/from affiliates, increased by \$1.8 million, or 13%, in the first half of 2014 compared to the first half of 2013 primarily due to the repayment of the Australian revolving credit facility and the Canadian term loan in the first half of 2013, partially offset by the write-off of \$3.5 million debt issuance costs associated with the credit agreement that was terminated in conjunction with the Spin-Off. The Company wrote-off \$1.2 million of debt issuance costs associated with the Canadian term loan repayment. Interest income increased as a result of higher cash balances during the first half of 2014 compared to 2013.

**Income Tax Provision.** Our income tax expense for the six months ended June 30, 2014 totaled \$7.4 million, or 12.7% of pretax income, compared to income tax expense of \$31.9 million, or 24.7% of pretax income, for the six months ended June 30, 2013. Generally, our effective tax rates are lower than U.S. statutory rates because of lower foreign income tax rates. The decrease in the effective tax rate from the prior year was largely the result of a change in the earnings mix between different tax jurisdictions. In addition, the effective tax rate was reduced due to changes in our corporate structure, including the contribution by Oil States of our affiliate debt (as further described in Note 13 – Related Party Transactions).

**Other Comprehensive Income (Loss).** Other comprehensive income increased \$192.2 million in the first half of 2014 compared to the first half of 2013 primarily as a result of foreign currency translation adjustments due to offsetting 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 0.4% in the first half of 2014 compared to a 5% decrease in the first half of 2013. The Australian dollar exchange rate compared to the U.S. dollar increased 6% in the first half of 2014 compared to a 12% decrease in the first half of 2013.

**Segment Results of Operations – Canadian Segment**

	<b>SIX MONTHS ENDED</b>		
	<b>JUNE 30,</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Revenues (\$ in thousands)</b>			
Lodge revenue (1)	\$ 245,099	\$ 277,805	\$ (32,706)
Mobile, open camp and product revenue	91,704	90,798	906
Total revenues	\$ 336,803	\$ 368,603	\$ (31,800)
<b>Cost of sales and services (\$ in thousands)</b>			
	\$ 206,268	\$ 205,410	\$ 858
Gross margin as a % of revenues	38.8%	44.3%	(5.5%)
Average Available Lodge Rooms (2)	12,082	11,373	709
RevPAR for Lodges (3)	\$ 112	\$ 135	\$ (23)
Occupancy in Lodges (4)	89%	91%	(2%)
Canadian dollar to US dollar	\$ 0.912	\$ 0.985	\$ (0.073)

- (1) Includes revenue related to rooms as well as the fees associated with catering, laundry and other services including facilities management.
- (2) Average available rooms include rooms that are utilized for our personnel.
- (3) RevPAR, or revenue per available room, is defined as lodge revenue divided by the product of (a) average available rooms and (b) days in the period. An available room is defined as a calendar day during which the room is available for occupancy.
- (4) Occupancy represents total billed days divided by rentable days. Rentable days excludes staff rooms and out of service rooms.

Our Canadian segment reported revenues in the first half of 2014 that were \$31.8 million, or 9%, lower than the first half of 2013. The weakening of the Canadian dollar relative to the U.S. dollar by 7% in the first half of 2014 compared to the first half of 2013 resulted in a \$27.1 million year-over-year reduction in revenues. In addition, excluding the impact of the weaker Canadian exchange rates, the segment experienced a 5% decline in lodge revenues primarily due to a 10% year-over-year decrease in RevPAR largely related to contracted room rate reductions. In addition, revenues were reduced by approximately \$4.9 million due to a contract amendment. Lodge revenues in the first half of 2014 were positively affected by a 6% increase year-over-year in average available rooms.

Our Canadian segment cost of sales and services increased \$0.9 million, or less than 1%, in the first half of 2014 compared to the first half of 2013. Although revenue decreased due to lower contracted room rates, a corresponding decrease did not occur in cost of sales and services, as occupancy levels remained constant. This was slightly offset by the weakening of the average exchange rates

Our Canadian segment gross margin as a percentage of revenues decreased from 44% in the first half of 2013 to 39% in the first half of 2014 primarily due to lower contracted room rates in Canada. In addition, certain short-term, high margin contracts for mobile camps that occurred early in 2013 did not recur in 2014.

**Segment Results of Operations – Australian Segment**

	SIX MONTHS ENDED JUNE 30,		
	2014	2013	Change
Revenues (\$ in thousands)			
Village revenue (1)	\$ 109,847	\$ 131,772	\$ (21,925)
Cost of sales (\$ in thousands)	\$ 45,978	\$ 51,341	\$ (5,363)
Gross margin as a % of revenues	58.1%	61.0%	(2.9%)
Average Available Village Rooms (2)	9,260	8,733	527
RevPAR for Villages (3)	\$ 66	\$ 83	\$ (17)
Occupancy in Villages (4)	71%	84%	(13%)
Australian dollar to US dollar	\$ 0.915	\$ 1.015	\$ (0.100)

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

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

(3) RevPAR, or revenue per available room, is defined as village revenue divided by the product of (a) average available rooms and (b) days in the period. An available room is defined as a calendar day during which the room is available for occupancy.

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

Our Australian segment reported revenues in the first half of 2014 that were \$21.9 million, or 17%, lower than the first half of 2013. The weakening of the average exchange rates for Australian dollars relative to the U.S. dollar by 10% in the first half of 2014 compared to the first half of 2013 resulted in a \$12.2 million year-over-year reduction in revenues. Village revenues in the first half of 2014 were also negatively impacted by lower occupancy levels compared to the first half of 2013, primarily as a result of lower met coal prices and the resultant slowdown in mining activity partially offset by the contributions of the Boggabri Village, which commenced operations in the fourth quarter of 2013.

Our Australian segment cost of sales decreased \$5.4 million, or 10%, in the first half of 2014 compared to the first half of 2013. The decrease was driven by the weakening of the Australian dollar as well as lower occupancy levels.

Our Australian segment gross margin as a percentage of revenues declined from 61% in the first half of 2013 to 58% in the first half of 2014. This decrease was due to lower occupancy rates.

**Segment Results of Operations – United States Segment**

Our United States segment reported revenues in the first half of 2014 of \$33.3 million, which were \$3.9 million, or 10%, lower than the first half of 2013. Mobile camp revenues in the first half of 2014 were negatively impacted by lower occupancy levels compared to the first half of 2013, primarily as a result of increased competition, but were positively affected by the addition of two new lodges that were not operating in the first half of 2013.

Our United States cost of sales decreased \$1.7 million, or 6%, in the first half of 2014 compared to the first half of 2013. The decrease was driven by lower occupancy levels.

Our United States segment gross margin as a percentage of revenues decreased from 29% in the first half of 2013 to 26% in the first half of 2014 primarily due to lower contracted room rates and lower occupancy levels in the United States.

## Liquidity and Capital Resources

Our primary liquidity needs are to fund capital expenditures, which in the past have included expanding and improving our accommodations, developing new lodges and villages, purchasing or leasing land under our land banking strategy, paying dividends and for general working capital needs. In addition, capital has been used to repay debt and fund strategic business acquisitions. Historically, our primary sources of funds have been cash flow from operations, credit facilities in Australia and Canada and liquidity provided by Oil States. Looking forward, we expect our primary sources of funds to be available cash, cash flow from operations, borrowings under our new credit facility and capital markets transactions.

	<u>U.S.</u>	<u>Canada</u>	<u>Australia <sup>(1)</sup></u>	<u>Total</u>
Borrowing capacity	\$ 450,000	\$ 100,000	\$ 100,000	\$ 650,000
Borrowings against revolver capacity	--	--	--	--
Outstanding letters of credit	(715)	(6,161)	--	(6,876)
Unused capacity	449,285	93,839	100,000	643,124
Cash and cash equivalents	56,468	131,512	97,514	285,494
Total available liquidity as of June 30, 2014	<u>\$ 505,753</u>	<u>\$ 225,351</u>	<u>\$ 197,514</u>	<u>\$ 928,618</u>

(1) Australia also has a A\$30 million line of credit facility. There were no letters of credit outstanding under this facility as of June 30, 2014.

Cash totaling \$154.7 million was provided by operations during the first half of 2014 compared to \$160.3 million provided by operations during the first half of 2013. The decrease in operating cash flow in 2014 compared to 2013 was primarily due to lower occupancy levels in lodges and villages, partially offset by lower cash used by working capital. During the first half of 2014, \$6.9 million was provided by working capital. During the first half of 2013, \$28.7 million was used for working capital, primarily due to \$19 million in changes in taxes payable in Canada, as well as a \$13 million change in accrued interest on affiliate debt.

Cash was used in investing activities during the six months ended June 30, 2014 in the amount of \$141.1 million compared to cash used in investing activities during the six months ended June 30, 2013 in the amount of \$159.3 million. Capital expenditures totaled \$141.7 million and \$160.6 million during the six months ended June 30, 2014 and 2013, respectively. Capital expenditures in both years consisted principally of construction and installation of assets for our lodges primarily in support of Canadian oil sands projects.

We expect our capital expenditures for the entire year will total approximately \$300 million to \$350 million, compared to 2013 capital expenditures of \$292 million. The majority of the 2014 capital expenditures amount relates to room expansions in Canada, including the McClelland Lake Lodge in the Athabasca oil sands region. Whether planned expenditures will actually be spent in 2014 depends on industry conditions, project approvals and schedules, customer room commitments and vendor delivery timing. We expect to fund these capital expenditures with available cash, internally generated funds and borrowings under our new credit facility. The foregoing capital expenditure forecast does not include any funds for strategic acquisitions, which the Company could pursue depending on the economic environment in our industry and the availability of transactions at prices deemed to be attractive to the Company.

At June 30, 2014, we had cash totaling \$229.0 million held by foreign subsidiaries, primarily in Canada and Australia, where we have assumed permanent reinvestment of earnings and have not recorded a U.S. tax liability upon the assumed repatriation of foreign earnings. Our intent is to utilize these cash balances for future investment outside the United States.

Net cash of \$44.1 million was provided by financing activities during the six months ended June 30, 2014, in part due to contributions from Oil States of \$28.2 million. Borrowings of \$775 million under our new term loan facility funded the cash distribution of \$750.0 million to Oil States on May 28, 2014. Net cash of \$46.3 million was used in financing activities during the six months ended June 30, 2013, due to \$130.7 million in repayments of the Australian revolving credit facility and the Canadian term loan offset by \$84.4 million in net contributions from Oil States.

We believe that cash on hand, cash flow from operations and available borrowings under our new credit facility will be sufficient to meet our liquidity needs in the coming twelve 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, a key 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. Our ability to obtain capital for additional projects to implement our growth strategy over the longer term will depend upon 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, such additional debt service requirements 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 stockholders.

**Credit Facilities and Long-Term Debt.** We historically relied on Oil States for financial support and cash management. Following the Spin-Off, our capital structure and sources of liquidity changed. In conjunction with the Spin-Off, on May 28, 2014, we entered into (i) a \$650.0 million, 5-year revolving credit facility which is allocated as follows: (A) a \$450.0 million senior secured revolving credit facility in favor of Civeo, as borrower, (B) a \$100.0 million senior secured revolving credit facility in favor of certain of our Canadian subsidiaries, as borrowers, and (C) a \$100.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower, and (ii) a \$775.0 million, 5-year term loan facility in favor of Civeo (collectively, the Credit Agreement). U.S. Dollar amounts outstanding under the credit facilities bear interest at a variable rate equal to LIBOR plus a margin of 1.75% to 2.75%, or a base rate plus 0.75% to 1.75%, in each case based on a ratio of our total leverage to EBITDA (as defined in the credit facilities). Canadian Dollar amounts outstanding under the credit facilities bear interest at a variable rate equal to CDOR plus a margin of 1.75% to 2.75%, or a base rate plus a margin of 0.75% to 1.75%, in each case based on a ratio of our total leverage to EBITDA (as defined in the credit facilities). Australian Dollar amounts outstanding under the credit facilities bear interest at a variable rate equal to BBSY plus a margin of 1.75% to 2.75%, based on a ratio of our total leverage to EBITDA (as defined in the credit facilities). We paid certain customary fees with respect to the Credit Agreement. We have 15 lenders in our Credit Agreement with commitments ranging from \$20 million to \$195 million.

The Credit Agreement contains customary affirmative and negative covenants that, among other things, limit or restrict (i) subsidiary indebtedness, liens and fundamental changes, (ii) asset sales, (iii) margin stock, (iv) specified acquisitions, (v) restrictive agreements, (vi) transactions with affiliates and (vii) investments and other restricted payments, including dividends and other distributions. Specifically, we must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA (as defined in the Credit Agreement) 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 3.5 to 1.0. Each of the factors considered in the calculations of these ratios are defined in the Credit Agreement. EBITDA and consolidated interest, as defined, exclude goodwill impairments, debt discount amortization and other non-cash charges. We expect to be in compliance with our debt covenants during the remainder of 2014. Borrowings under the Credit Agreement are secured by a pledge of substantially all of our assets and the assets of our subsidiaries. Obligations under the Credit Agreement are guaranteed by our significant subsidiaries.

#### **Off-Balance Sheet Arrangements**

As of June 30, 2014, 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” contained in the Information Statement included in Amendment No. 5 to the Form 10. As of June 30, 2014, except for the settlement of affiliate debt to Oil States in connection with the Spin-Off and the incurrence of debt under our credit facilities as described above, there were no material changes to this disclosure regarding our contractual obligations made in the Form 10.

## **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 the Information Statement included in Amendment No. 5 to the Form 10. 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 June 30, 2014, we had floating-rate obligations totaling \$775 million outstanding 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 increase by 1%, our consolidated interest expense would increase by a total of approximately \$7.75 million annually based on our floating-rate debt obligations as of June 30, 2014.

#### **Foreign Currency Exchange Rate Risk**

Our operations are conducted in various countries around the world and we receive revenue 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\$1.0 billion and A\$972 million, respectively, at June 30, 2014. 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 United States dollar as of June 30, 2014 would result in a \$94 million and \$92 million translation adjustment, 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 Quarterly Report on Form 10-Q, 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) of 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 June 30, 2014 at the reasonable assurance level.

#### **Changes in Internal Control over Financial Reporting**

During the three months ended June 30, 2014 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" in the Information Statement included in Amendment No. 5 to the Form 10.

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

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
2.1	Separation and Distribution Agreement by and between Oil States International, Inc. and Civeo Corporation, dated May 27, 2014 (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K (File No. 001-36246) filed on June 2, 2014).
3.1	Amended and Restated Certificate of Incorporation of Civeo Corporation (incorporated herein by reference to Exhibit 3.1 to the Registration Statement on Form 10 (File No. 001-36246) filed on May 6, 2014).
3.2	Amended and Restated Bylaws of Civeo Corporation (incorporated herein by reference to Exhibit 3.2 to the Registration Statement on Form 10 (File No. 001-36246) filed on May 6, 2014).
10.1	Indemnification and Release Agreement by and between Oil States International, Inc. and Civeo Corporation, dated May 27, 2014 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-36246) filed on June 2, 2014).
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10.3	Employee Matters Agreement by and between Oil States International, Inc. and Civeo Corporation, dated May 27, 2014 (incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-36246) filed on June 2, 2014).
10.4	Transition Services Agreement by and between Oil States International, Inc. and Civeo Corporation, dated May 27, 2014 (incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K (File No. 001-36246) filed on June 2, 2014).
10.5	Syndicated Facility Agreement, dated as of May 28, 2014, among Civeo Corporation, Civeo Canada Inc., Civeo Premium Camp Services Ltd. And Civeo Australia Pty Limited, as Borrowers, the Lenders named therein, Royal Bank of Canada, as Administrative Agent, U.S. Collateral Agent, Canadian Administrative Agent, Canadian Collateral Agent and an Issuing Bank, and RBC Europe Limited, as Australian Administrative Agent, Australian Collateral Agent and an Issuing Bank (incorporated herein by reference to Exhibit 10.5 to the Current Report on Form 8-K (File No. 001-36246) filed on June 2, 2014).
10.6*	Form of Indemnification Agreement (as of July 25, 2014).
10.7*	Settlement Agreement and Release, dated as of June 26, 2014, by and between Civeo Corporation and Ronald Green.
10.8	2014 Equity Participation Plan of Civeo Corporation (incorporated herein by reference to Exhibit 4.4 to the Registration Statement on Form S-8 (File No. 333-196292) filed on May 27, 2014).
31.1*	— Certification of Chief Executive Officer of Civeo Corporation. pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	— Certification of Chief Financial Officer of Civeo Corporation. pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
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- 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

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\* Filed herewith.

\*\* Management contracts or compensatory plans or arrangements.

\*\*\* Furnished herewith.

**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: August 13, 2014 By /s/ Frank C. Steininger  
**Frank C. Steininger**  
**Senior Vice President, Chief Financial Officer and**  
**Treasurer (Duly Authorized Officer and Principal**  
**Financial Officer)**

## Exhibit Index

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\*\*\* Furnished herewith.

**INDEMNIFICATION AGREEMENT**

This Indemnification Agreement (the “**Agreement**”) is made as of by and between Civeo Corporation, a Delaware corporation (the “**Company**”), and (the “**Indemnitee**”).

In consideration of the mutual promises made in this Agreement, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Company and Indemnitee hereby agree as follows:

**ARTICLE I  
INDEMNIFICATION**

1.1 **Third Party Proceedings.** The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action, suit or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee’s conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or proceeding, that Indemnitee had reasonable cause to believe that Indemnitee’s conduct was unlawful.

1.2 **Proceedings by or in the Right of the Company.** The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees) and, to the fullest extent permitted by law, amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld), in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or suit if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudicated by court order or judgment to be liable to the Company in the performance of Indemnitee’s duty to the Company and its stockholders unless and only to the extent that the court in which such action or proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

1.3 **Mandatory Payment of Expenses.** To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1.1 or Section 1.2 or the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including attorneys’ fees) actually and reasonably incurred by Indemnitee in connection therewith.

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**ARTICLE II  
NO EMPLOYMENT RIGHTS**

Nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment.

**ARTICLE III  
EXPENSES; INDEMNIFICATION PROCEDURE**

3.1 **Advancement of Expenses.** The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action, suit or proceeding referred to in Section 1.1 or Section 1.2 hereof (including amounts actually paid in settlement of any such action, suit or proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby.

3.2 **Notice Cooperation by Indemnitee.** Indemnitee shall, as a condition precedent to his or her right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company (unless the Indemnitee is then the Chief Executive Officer, in which event then to the Chief Financial Officer of the Company) and shall be given in accordance with the provisions of Section 12.4 below. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

3.3 **Procedure.** Any indemnification and advances provided for in Article I and this Article III shall be made no later than twenty (20) days after receipt of the written request of Indemnitee. If a claim under this Agreement, under any statute, or under any provision of the Company's Certificate of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company within twenty (20) days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Article XI of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Section 3.1 unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct. In addition, to the fullest extent permitted by law and prior to a final adjudication by court order or judgment from which no further right of appeal exists as to Indemnitee's right to indemnification, Indemnitee shall have the right to receive advancement, on the same terms and subject to the same obligation to repay as the advancement of expenses pursuant to this Article III, of any amounts that Indemnitee pays for which Indemnitee would be entitled to indemnification under Article I hereof if Indemnitee has met the applicable standard of conduct (including, without limitation, the costs of providing any bond in connection with the appeal of any proceeding); provided, however, that Indemnitee shall only be entitled to such advancement if Indemnitee delivers an opinion of independent legal counsel, selected by Indemnitee and reasonably acceptable to the Company, that such counsel has determined, after using customary procedures for such opinion, that it is probable (i.e., more than a 50% probability) that Indemnitee has met the applicable standard of conduct necessary in order to receive indemnification.

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3.4 **Notice to Insurers.** If, at the time of the receipt of a notice of a claim pursuant to Section 3.2 hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

3.5 **Selection of Counsel.** In the event the Company shall be obligated under Section 3.1 hereof to pay the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that (a) Indemnitee shall have the right to employ counsel in any such proceeding at Indemnitee's expense; and (b) if (i) the employment of counsel by Indemnitee has been previously authorized by the Company, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

#### **ARTICLE IV ADDITIONAL INDEMNIFICATION RIGHTS; NONEXCLUSIVITY**

4.1 **Scope.** Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes shall be deemed to be within the purview of Indemnitee's rights and the Company's obligations under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

4.2 **Nonexclusivity.** The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested members of the Company's Board of Directors, the General Corporation Law of the State of Delaware, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office.

4.3 **Term.** The indemnification, advancement of expenses and other obligations of the Company provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity (even though he or she may have ceased to serve in any such capacity at the time of any action, suit or other covered proceeding) until the date that the Indemnitee is no longer subject to any actual or possible action, suit or other proceeding with respect to which Indemnitee may be entitled to indemnification hereunder.

#### **ARTICLE V PARTIAL INDEMNIFICATION**

If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

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**ARTICLE VI  
MUTUAL ACKNOWLEDGMENT**

Both the Company and Indemnitee acknowledge that in certain instances, Federal law or public policy may override applicable state law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the “SEC”) has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company’s right under public policy to indemnify Indemnitee.

**ARTICLE VII  
OFFICER AND DIRECTOR LIABILITY INSURANCE**

For the duration of Indemnitee’s service as a director and/or officer of the Company, and thereafter for so long as Indemnitee shall be subject to any pending or possible action, suit or other proceeding with respect to which Indemnitee may be entitled to indemnification hereunder, the Company shall use its commercially reasonable efforts to obtain and maintain a policy or policies of insurance with reputable insurance companies providing Indemnitee with coverage on terms with respect to coverage and amount (including with respect to the payment of expenses) no less favorable in any material respect than those of the directors and officers liability insurance for the directors of the Company in effect on the date hereof; provided that the Company shall not be required to pay an annual premium for such insurance in excess of 200% of the annual premium for such insurance which is in effect on June 30, 2014, but in such case shall purchase as much coverage as reasonably practicable for such amount. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company’s directors, if Indemnitee is a director; or of the Company’s officers, if Indemnitee is not a director of the Company but is an officer; or of the Company’s key employees, if Indemnitee is not an officer or director but is a key employee.

**ARTICLE VIII  
SEVERABILITY**

Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company’s inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this [Article VIII](#). If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

**ARTICLE IX  
EXCEPTIONS**

Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

9.1 **Claims Initiated by Indemnitee.** To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145 of the Delaware General Corporation Law, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors finds it to be appropriate;

9.2 **Lack of Good Faith.** To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous;

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9.3 **Insured Claims.** To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) to the extent such expenses or liabilities have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company; or

9.4 **Claims Under Section 16(B).** To indemnify Indemnitee for expenses or the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

## ARTICLE X CONSTRUCTION OF CERTAIN PHRASES

10.1 For purposes of this Agreement, references to the "**Company**" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

10.2 For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

## ARTICLE XI ATTORNEYS' FEES

In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

## ARTICLE XII MISCELLANEOUS

12.1 **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflict of law.

12.2 **Entire Agreement; Enforcement of Rights.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

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12.3 **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

12.4 **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

12.5 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

12.6 **Successors and Assigns.** This Agreement shall be binding upon the Company and its successors and assigns, and inure to the benefit of Indemnitee and Indemnitee's heirs, legal representatives and assigns.

12.7 **Subrogation.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company to effectively bring suit to enforce such rights.

[Signature Page Follows]

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The parties hereto have executed this Agreement as of the day and year set forth on the first page of this Agreement.

CIVEO CORPORATION

By:

Name: Bradley J. Dodson

Title: President and Chief Executive Officer

Address: Three Allen Center  
333 Clay Street, Suite 4980  
Houston, Texas 77002

AGREED TO AND ACCEPTED:

Indemnitee:

\_\_\_\_\_  
(Signature)

Address: Three Allen Center  
333 Clay Street, Suite 4980  
Houston, Texas 77002

## SETTLEMENT AGREEMENT AND RELEASE

THIS AGREEMENT is made as of the 26th day of June, 2014.

BETWEEN:

CIVEO CORPORATION

(collectively known as "Employer")

- and-

Ronald Green

("Employee")

-and-

WHEREAS the parties have agreed to end Employee's employment with the Employer on June 18th, 2014;

AND WHEREAS the parties wish to document the terms of a settlement agreement reached by them in respect of all possible claims the Employee has arising out of the cessation of his employment;

NOW THEREFORE, in consideration of the mutual covenants outlined below, the parties hereby agree as follows:

Settlement

1. The Employer will provide the following to the Employee:

- a. A lump sum payment equivalent to 24 month's base salary, calculated based on your current base salary of C\$475,000 per annum, equaling a gross amount of C\$950,000, less necessary statutory deductions.
  - b. Payment of your target AICP for 2014 and 2015. This payment will be calculated as 80% of your current base salary of C\$ 475,000 for both 2014 and 2015, equaling a gross amount of C\$ 760,000, less necessary statutory deductions.
  - c. Vesting and redemption of all outstanding and converted Phantom Stock Units (PSUs) with the payout amount calculated based on the market closing price of Civeo Corporation common stock on the date of acceptance of these terms but no later than June 30, 2014. Conversion of this amount to Canadian funds will be made at such dates closing Canadian/US dollar exchange rate as published by the Bank of Canada.
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- d. Eligibility to exercise all vested and outstanding stock options for a period of up to three (3) months following June 18, 2014.
  - e. Vesting will be accelerated to 100% on outstanding/unreleased Restricted Stock Awards which will then be transferred to your E\*Trade Equity Account.
  - f. Continuation of medical benefits as per Civeo Canada's benefit plan in place as of June 18, 2014 for a period of 24 months from June 18, 2014 (up to and including June 18, 2016).
2. Employee resigns his employment effective June 18<sup>th</sup>, 2014, and all employment remuneration, benefits, entitlement and perquisites cease as of June 18<sup>th</sup>, 2014 except as provided for in 1(e) above.

Release

3. Employee hereby remises, releases and forever discharges Employer, its successors, affiliates, subsidiaries, related entities, personal representatives, directors, officers, employees, agents and assigns (together referred to as the "Released Parties") from any and all cause or causes of action, suits, debts, sums of money, dues, expenses, general damages, special damages, costs, expenses, claims and demands of any and every kind and nature whatsoever, at law or in equity, or under any legislation, which against the Released Parties, he ever had, now has or which his heirs, executors, administrators, successors or assigns hereafter can, shall or may have, for or by reason of any matter, cause or thing whatsoever existing up to the present time, and in particular, but without in any way restricting the generality of the foregoing, all matters relating to, arising from or connected with:
- a. Employee's employment with Employer;
  - b. The cessation of that employment;
  - c. The loss of any pension, medical, insurance or welfare plans or benefits sponsored or contributed to by Employer;
  - d. Any bonus (AICP) amounts claimed to be earned at the date of termination or at any time after the date of termination;
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- e. Any claims to receive deferred employment compensation, including without limitation, PSUs, RSAs or stock options;
  - f. Any claims against Employer under the *Employment Standards Code* (Alberta) or any other employment standards legislation; and,
  - g. Any claims against Employer under the *Human Rights Act* (Alberta) or any other human rights legislation.
4. Employee understands and agrees that the payments referred to above fully compensate him for all amounts owed to him by the Employer or other Released Parties including, but not limited to, all salary, bonuses, AICP payments, vacation pay, holiday pay, severance pay, termination pay, pay in lieu of notice, expenses, damages, allowances, and employment benefits or other entitlements, whether by statute, contract, or at common law. Employee expressly releases his claim to all payments and employment benefits of any description, including, without limitation, short-term disability benefits, long-term disability benefits, WCB benefits, and life insurance benefits, except those benefits continued pursuant to this Agreement. Employee further releases any claims against insurers or other parties who might seek contribution from the Employer, and these parties are considered a Released Party under this Agreement.
5. Neither Employee nor anyone on his behalf will bring any action, suit, or complaint against the Employer or any of the Released Parties in respect to any of the matters described in paragraphs 3 or 4, above, aside for any claim arising from the Employer's non-performance of its obligations under this Agreement.

Confidentiality

6. Except as required by law, the Employee undertakes and agrees to keep the terms of this Settlement Agreement and Release in absolute and strict confidence at all times, without time limitation, and not to disclose its contents to any persons, except professional financial/legal advisors and immediate family. For added certainty, and without limiting the generality of the foregoing, the Employee undertakes and agrees that he will not publicize, discuss, disclose or communicate with any person, entity or organization in any form whatsoever, the terms of all or any part of this Settlement Agreement.
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7. The Employee recognizes and acknowledges that during his employment with the Employer he had access to certain information which relates to the Employer's past, present or future business plans, products, research, development, inventions, processes, techniques, clients, customers, plan designs or other technical information and data ( the "Proprietary Information"). The Employee agrees to preserve and protect the confidentiality of the Proprietary Information and all physical forms thereof and further agrees not to disclose or disseminate the Proprietary Information to any third party and shall not use the Proprietary Information for his own benefit or for the benefit of any third party. The Employee acknowledges and agrees that he has taken and will in the future take appropriate precautions to safeguard the Proprietary Information of the Employer. The Employee also recognizes and acknowledges that during his employment with the Employer he had access to certain non-public confidential information belonging to the Employer relating to its business, commercial and financial operations, employee lists and records, software and manuals, or any other information, whether in writing or not, which is not generally known to the public and which could, if used, communicated, or divulged, cause damage, embarrassment, loss of reputation, or other harm to the Employer, or any of the Released Parties (the "Confidential Information"). The Employee agrees to preserve and protect the confidentiality of the Confidential Information and all physical forms thereof and further agrees not to disclose or disseminate the Confidential Information to any third party and shall not use the Confidential Information for his own benefit or for the benefit of any third party. The Employee acknowledges and agrees that he has taken and will in the future take appropriate precautions to safeguard the Confidential Information of the Employer. The Employee agrees to hold in strictest confidence and not use, disclose or divulge in any way to any person or entity the Confidential Information or the Proprietary Information without first obtaining the Company's written consent or unless required by law. The covenants contained in this paragraph do not replace, reduce, limit, or eliminate the Employee's common law duties relating to the disclosure or use of the Employer's confidential or proprietary information.
  8. Employee acknowledges that should he have any questions as to whether particular information is Proprietary Information or Confidential Information, he should seek out the advice of the President or Chief Executive Officer of the Employer.
  9. Employee represents and acknowledges that he has no claim or right, title, or interest in the property or assets of any of the Released Parties. Employee represents that he has returned or, within 24 hours of the cessation of his employment, will return any such property in his possession or control, including, without limitation, any computers, documents, electronic information, credit cards, telephone cards, office keys, and security badges relating to his employment, and further represents that he has not distributed or retained any copies of such property except in the course of fulfilling his employment duties.
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No Disparaging Comments

10. Employee agrees not to make any disparaging remarks, whether written or oral, or otherwise take any action that could reasonably be anticipated to cause damage to the reputation, goodwill or business of any of the Released Parties.

Non-Competition and Non-Solicitation

11. Employee agrees that, for a period of 24 months following the cessation of his employment, he shall not, directly or indirectly and whether on his own behalf or for others, within Canada or the United States of America:
    - (i) be engaged, whether as an employee, officer, director, owner, partner, consultant, investor or other capacity, in any business activities which are competitive with the business conducted by the Employer; or,
    - (ii) render any advice or services to, or otherwise assist, any other person, association, or company or other entity which is engaged, directly or indirectly, in any business activities which are competitive with the business conducted by the Employer.
  12. Employee agrees that, for a period of 24 months following the cessation of his employment he shall not, directly or indirectly and whether on his own behalf or for others:
    - (i) induce or solicit any employee or contractor of the Employer to terminate his or her employment or other relationship with the Employer, or hire or assist in the hiring of any such employee or contractor by any person, association, company or other entity not affiliated with the Employer; or,
    - (ii) induce, solicit or cause any customer or supplier of the Employer to terminate, reduce or curtail any business relationship with the Employer or to do business with a competitor of the Employer.
  13. The Employee acknowledges and agrees that the foregoing time limits and geographic area are reasonable and properly required for the adequate protection of the business of the Employer.
  14. The Employee agrees that in the event of a breach by the Employee of any of the provisions of this Agreement, the Employer, in addition to and not in limitation of any other rights, remedies or damages available to the Employer at law or in equity, shall be entitled to an injunction in order to prevent or to restrain any breach by the Employee, or by any or all of the Employee's partners, employers, employees, servants, agents, representatives and any and all persons directly or indirectly acting for, on behalf of, or with the Employee.
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15. The above restrictions are in addition to, and not in substitution for, any fiduciary duties the Employee owes to the Employer.

Consideration Provided by Employer

16. The Employee understands that the Employer has a material interest in preserving its reputation and goodwill, and the relationships it has developed with its customers, suppliers, employees and contractors against impairment by competitive activities of a former employee. The Employee also understands that the Employer has provided him with compensation under this Agreement which he would not otherwise be entitled to had he been employed for a period of 24 months following cessation of his employment, including vesting and conversion of certain PSUs and RSAs which would not have vested during that 24 month period. Therefore, the Employee understands and agrees that:
- a. his agreement to the restrictions, duties and covenants in this Agreement constitute a material inducement to the Employer to pay the Employee the amounts set out in this Agreement;
  - b. the Employer would not be prepared to pay the amounts set out in this Agreement without the Employee agreeing to the restrictions, duties and covenants in this Agreement;
  - c. the Employer is providing him with more than 24 months' compensation in part so that he does not have any need to engage in the activities described under the heading "Non-Competition and Non-Solicitation" and,
  - d. should he violate any of the restrictions, duties and covenants set out under the headings "Confidentiality", "No Disparaging Comments", or "Non-Competition and Non-Solicitation" in this Agreement, then the amounts paid to the Employee under this Agreement will be immediately forfeited by the Employee and will constitute a just debt due and owing to the Employer as a reasonable pre-estimate of the damages it will suffer as a result of such violation.

General

17. Nothing in this Agreement shall be deemed to be an admission of liability on the part of any of the parties and any such liability is expressly denied.
18. Employee acknowledge that he has carefully read this Agreement and does fully understand the terms and conditions and, and after being given the opportunity to obtain advice, accepts the same.
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- 19. No waiver of any breach of any term or provision of this Agreement shall be construed to be, nor shall be, a waiver of any other breach of this Agreement. No waiver shall be binding unless in writing and signed by the party waiving the breach. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.
- 20. This Agreement shall be binding upon and inure to the benefit of Employer, and any other person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of Employer by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Employee understands and agrees that he is bound by this Agreement and that anyone who claims under him or succeeds to his rights and obligations, such as his spouse, children, heirs, or the executors of his estate is also bound.
- 21. Employee agrees to cooperate fully and to execute any and all supplementary documents and to take all additional actions that may be necessary or appropriate to give full force to the basic terms and intent of this Agreement and which are not inconsistent with its terms.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement effective as of the date of the signatures shown hereunder.

DATED the 26th day of June, 2014.

/s/ Ronald Green

Ronald Green

/s/ Anthony Purgas

Witness (Name)

/s/ Anthony Purgas

Witness (Signature)

/s/ Bradley J. Dodson

CIVEO CORPORATION

Per: Bradley J. Dodson

**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 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. paragraph omitted in accordance with SEC transition instructions;
  - 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: August 13, 2014

/s/ Bradley J. Dodson

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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 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. paragraph omitted in accordance with SEC transition instructions;
  - 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: August 13, 2014

/s/ Frank C. Steininger

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Frank C. Steininger

Senior Vice President, Chief Financial Officer and  
Treasurer

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

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 filed with the Securities and Exchange Commission (the "Report"), I, Bradley J. Dodson, President and Chief Executive Officer of Civeo Corporation (the "Company"), hereby certify, 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: August 13, 2014

**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 for the quarterly period ended June 30, 2014 filed with the Securities and Exchange Commission (the "Report"), I, Frank C. Steininger, Senior Vice President, Chief Financial Officer and Treasurer of Civeo Corporation (the "Company"), hereby certify, 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

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Name: Frank C. Steininger

Date: August 13, 2014