

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36246

**Civeo Corporation**

(Exact name of registrant as specified in its charter)

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

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

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

77002  
(Zip Code)

(713) 510-2400

(Registrant's telephone number, including area code)

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

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

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

Yes  No

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

Yes  No

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

Large Accelerated Filer  Accelerated Filer  Emerging Growth Company

Non-Accelerated Filer  Smaller Reporting Company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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Yes

No

The Registrant had 13,712,661 common shares outstanding as of October 21, 2022.

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CIVEO CORPORATION

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PART I -- FINANCIAL INFORMATION

ITEM 1. *Financial Statements*

CIVEO CORPORATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Service and other	\$ 177,504	\$ 150,081	\$ 514,328	\$ 419,861
Rental	5,785	4,581	18,080	12,185
Product	938	401	2,451	2,623
	<u>184,227</u>	<u>155,063</u>	<u>534,859</u>	<u>434,669</u>
<b>Costs and expenses:</b>				
Service and other costs	127,955	107,287	373,123	307,198
Rental costs	5,024	3,892	14,830	10,523
Product costs	517	251	1,439	1,521
Selling, general and administrative expenses	17,677	17,320	50,572	46,204
Depreciation and amortization expense	22,608	20,282	65,818	62,928
Impairment expense	—	—	—	7,935
Other operating (income) expense	(339)	21	(187)	122
	<u>173,442</u>	<u>149,053</u>	<u>505,595</u>	<u>436,431</u>
Operating income (loss)	<u>10,785</u>	<u>6,010</u>	<u>29,264</u>	<u>(1,762)</u>
Interest expense	(3,001)	(3,166)	(8,077)	(9,929)
Loss on extinguishment of debt	—	(416)	—	(416)
Interest income	13	—	15	2
Other income	2,179	364	4,290	6,066
Income (loss) before income taxes	<u>9,976</u>	<u>2,792</u>	<u>25,492</u>	<u>(6,039)</u>
Income tax expense	(3,713)	(1,770)	(7,091)	(2,354)
Net income (loss)	<u>6,263</u>	<u>1,022</u>	<u>18,401</u>	<u>(8,393)</u>
Less: Net income attributable to noncontrolling interest	546	478	1,706	534
Net income (loss) attributable to Civeo Corporation	<u>5,717</u>	<u>544</u>	<u>16,695</u>	<u>(8,927)</u>
Less: Dividends attributable to Class A preferred shares	492	482	1,469	1,440
Net income (loss) attributable to Civeo common shareholders	<u>\$ 5,225</u>	<u>\$ 62</u>	<u>\$ 15,226</u>	<u>\$ (10,367)</u>
<b>Per Share Data (see Note 7)</b>				
Basic net income (loss) per share attributable to Civeo Corporation common shareholders	\$ 0.32	\$ —	\$ 0.92	\$ (0.73)
Diluted net income (loss) per share attributable to Civeo Corporation common shareholders	\$ 0.32	\$ —	\$ 0.91	\$ (0.73)
<b>Weighted average number of common shares outstanding:</b>				
Basic	13,932	14,277	14,058	14,255
Diluted	14,064	14,361	14,220	14,255

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

**CIVEO CORPORATION**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 6,263	\$ 1,022	\$ 18,401	\$ (8,393)
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustment, net of zero taxes	(20,745)	(12,217)	(32,757)	(15,417)
Total other comprehensive loss, net of taxes	(20,745)	(12,217)	(32,757)	(15,417)
Comprehensive loss	(14,482)	(11,195)	(14,356)	(23,810)
Less: Comprehensive income attributable to noncontrolling interest	368	450	1,474	488
Comprehensive loss attributable to Civeo Corporation	\$ (14,850)	\$ (11,645)	\$ (15,830)	\$ (24,298)

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

**CIVEO CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands, Excluding Share Amounts)

	September 30, 2022 (Unaudited)	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,361	\$ 6,282
Accounts receivable, net	122,280	114,859
Inventories	6,984	6,468
Prepaid expenses	9,487	6,876
Other current assets	3,850	10,946
Assets held for sale	13,759	11,762
Total current assets	164,721	157,193
Property, plant and equipment, net	309,752	389,996
Goodwill	7,322	8,204
Other intangible assets, net	81,997	93,642
Operating lease right-of-use assets	14,267	18,327
Other noncurrent assets	5,270	5,372
Total assets	\$ 583,329	\$ 672,734
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 46,225	\$ 49,321
Accrued liabilities	32,432	33,564
Income taxes	111	171
Current portion of long-term debt	27,964	30,576
Deferred revenue	2,092	18,479
Other current liabilities	8,900	4,807
Total current liabilities	117,724	136,918
Long-term debt, less current maturities	96,727	142,602
Deferred income taxes	7,344	896
Operating lease liabilities	11,669	15,429
Other noncurrent liabilities	13,668	13,778
Total liabilities	247,132	309,623
Commitments and contingencies (Note 10)		
Shareholders' Equity:		
Preferred shares (Class A Series 1, no par value; 50,000,000 shares authorized, 9,042 shares issued and outstanding, aggregate liquidation preference of \$98,907,587 and \$97,438,687 as of September 30, 2022 and December 31, 2021, respectively)	63,410	61,941
Common shares (no par value; 46,000,000 shares authorized, 14,079,336 shares and 14,431,819 shares issued, respectively, and 13,712,661 shares and 14,111,221 shares outstanding, respectively)	—	—
Additional paid-in capital	1,585,303	1,582,442
Accumulated deficit	(911,934)	(912,951)
Common shares held in treasury at cost, 366,675 and 320,598 shares, respectively	(9,063)	(8,050)
Accumulated other comprehensive loss	(394,408)	(361,883)
Total Civeo Corporation shareholders' equity	333,308	361,499
Noncontrolling interest	2,889	1,612
Total shareholders' equity	336,197	363,111
Total liabilities and shareholders' equity	\$ 583,329	\$ 672,734

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

**CIVEO CORPORATION**

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

	Attributable to Civeo							
	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Deficit	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Shareholders' Equity
	Amount	Par Value						
<b>Balance, June 30, 2021</b>	\$ 60,974	\$ —	\$ 1,580,213	\$ (918,156)	\$ (8,050)	\$ (352,171)	\$ 595	\$ 363,405
Net income	—	—	—	544	—	—	478	1,022
Currency translation adjustment	—	—	—	—	—	(12,189)	(28)	(12,217)
Dividends paid	—	—	—	—	—	—	(15)	(15)
Dividends attributable to Class A preferred shares	482	—	—	(482)	—	—	—	—
Common shares repurchased	—	—	—	(445)	—	—	—	(445)
Share-based compensation	—	—	1,035	—	—	—	—	1,035
<b>Balance, September 30, 2021</b>	<u>\$ 61,456</u>	<u>\$ —</u>	<u>\$ 1,581,248</u>	<u>\$ (918,539)</u>	<u>\$ (8,050)</u>	<u>\$ (364,360)</u>	<u>\$ 1,030</u>	<u>\$ 352,785</u>
<b>Balance, June 30, 2022</b>	\$ 62,918	\$ —	\$ 1,584,416	\$ (903,492)	\$ (9,063)	\$ (373,841)	\$ 2,582	\$ 363,520
Net income	—	—	—	5,717	—	—	546	6,263
Currency translation adjustment	—	—	—	—	—	(20,567)	(178)	(20,745)
Dividends paid	—	—	—	—	—	—	(61)	(61)
Dividends attributable to Class A preferred shares	492	—	—	(492)	—	—	—	—
Common shares repurchased	—	—	—	(13,667)	—	—	—	(13,667)
Share-based compensation	—	—	887	—	—	—	—	887
<b>Balance, September 30, 2022</b>	<u>\$ 63,410</u>	<u>\$ —</u>	<u>\$ 1,585,303</u>	<u>\$ (911,934)</u>	<u>\$ (9,063)</u>	<u>\$ (394,408)</u>	<u>\$ 2,889</u>	<u>\$ 336,197</u>
<b>Balance, December 31, 2020</b>	\$ 60,016	\$ —	\$ 1,578,315	\$ (907,727)	\$ (6,930)	\$ (348,989)	\$ 672	\$ 375,357
Net income (loss)	—	—	—	(8,927)	—	—	534	(8,393)
Currency translation adjustment	—	—	—	—	—	(15,371)	(46)	(15,417)
Dividends paid	—	—	—	—	—	—	(130)	(130)
Dividends attributable to Class A preferred shares	1,440	—	—	(1,440)	—	—	—	—
Common shares repurchased	—	—	—	(445)	—	—	—	(445)
Share-based compensation	—	—	2,933	—	(1,120)	—	—	1,813
<b>Balance, September 30, 2021</b>	<u>\$ 61,456</u>	<u>\$ —</u>	<u>\$ 1,581,248</u>	<u>\$ (918,539)</u>	<u>\$ (8,050)</u>	<u>\$ (364,360)</u>	<u>\$ 1,030</u>	<u>\$ 352,785</u>
<b>Balance, December 31, 2021</b>	\$ 61,941	\$ —	\$ 1,582,442	\$ (912,951)	\$ (8,050)	\$ (361,883)	\$ 1,612	\$ 363,111
Net income	—	—	—	16,695	—	—	1,706	18,401
Currency translation adjustment	—	—	—	—	—	(32,525)	(232)	(32,757)
Dividends paid	—	—	—	—	—	—	(197)	(197)
Dividends attributable to Class A preferred shares	1,469	—	—	(1,469)	—	—	—	—
Common shares repurchased	—	—	—	(14,209)	—	—	—	(14,209)
Share-based compensation	—	—	2,861	—	(1,013)	—	—	1,848
<b>Balance, September 30, 2022</b>	<u>\$ 63,410</u>	<u>\$ —</u>	<u>\$ 1,585,303</u>	<u>\$ (911,934)</u>	<u>\$ (9,063)</u>	<u>\$ (394,408)</u>	<u>\$ 2,889</u>	<u>\$ 336,197</u>

  

	Preferred Shares	Common Shares (in thousands)
<b>Balance, December 31, 2021</b>	9,042	14,111
Share-based compensation	—	100
Common shares repurchased	—	(498)
<b>Balance, September 30, 2022</b>	<u>9,042</u>	<u>13,713</u>

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

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

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ 18,401	\$ (8,393)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	65,818	62,928
Impairment charges	—	7,935
Loss on extinguishment of debt	—	416
Deferred income tax expense	6,930	2,105
Non-cash compensation charge	2,861	2,933
Gains on disposals of assets	(4,069)	(2,305)
Provision (benefit) for credit losses, net of recoveries	(23)	155
Other, net	2,397	2,436
Changes in operating assets and liabilities:		
Accounts receivable	(19,138)	(21,516)
Inventories	(1,557)	(193)
Accounts payable and accrued liabilities	3,515	9,836
Taxes payable	(62)	61
Other current and noncurrent assets and liabilities, net	(12,701)	6,843
Net cash flows provided by operating activities	62,372	63,241
Cash flows from investing activities:		
Capital expenditures	(17,466)	(9,645)
Proceeds from dispositions of property, plant and equipment	11,975	7,545
Other, net	190	—
Net cash flows used in investing activities	(5,301)	(2,100)
Cash flows from financing activities:		
Revolving credit borrowings	204,951	367,622
Revolving credit repayments	(219,775)	(305,148)
Term loan repayments	(23,059)	(117,595)
Debt issuance costs	—	(4,407)
Repurchases of common shares	(14,209)	(445)
Taxes paid on vested shares	(1,013)	(1,120)
Net cash flows used in financing activities	(53,105)	(61,093)
Effect of exchange rate changes on cash	(1,887)	(1,255)
Net change in cash and cash equivalents	2,079	(1,207)
Cash and cash equivalents, beginning of period	6,282	6,155
Cash and cash equivalents, end of period	\$ 8,361	\$ 4,948
Non-cash financing activities:		
Preferred dividends paid-in-kind	\$ 1,469	\$ 1,440

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

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

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

*Basis of Presentation*

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

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

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

The financial statements included in this report should be read in conjunction with our audited financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

**2. REVENUE**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Canada</b>				
Accommodation revenues	\$ 72,724	\$ 60,511	\$ 219,349	\$ 176
Mobile facility rental revenues	25,283	19,075	73,359	38
Food service and other services revenues	5,002	4,471	15,276	14
Total Canada revenues	103,009	84,057	307,984	229
<b>Australia</b>				
Accommodation revenues	\$ 38,316	\$ 38,104	\$ 114,967	\$ 109
Food service and other services revenues	35,489	27,014	90,187	79
Total Australia revenues	73,805	65,118	205,154	188
<b>U.S.</b>				
Accommodation revenues	\$ 990	\$ 1,812	\$ 2,244	\$ 4
Mobile facility rental revenues	5,811	3,941	18,128	10
Manufacturing revenues	587	124	1,286	1
Food service and other services revenues	25	11	63	
Total U.S. revenues	7,413	5,888	21,721	16
Total revenues	\$ 184,227	\$ 155,063	\$ 534,859	\$ 434

Our payment terms vary by the type and location of our customer and the products or services offered. The time between invoicing and when our performance obligations are satisfied is not significant. Payment terms are generally within 30 days and in most cases do not extend beyond 60 days. We do not have significant financing components or significant payment terms.

As of September 30, 2022, for contracts that are greater than one year, the table below discloses the estimated revenues related to performance obligations that are unsatisfied (or partially unsatisfied) and when we expect to recognize the revenue. The table only includes revenue expected to be recognized from contracts where the quantity of service is certain (in thousands):

	For the years ending December 31,				
	2022	2023	2024	Thereafter	Total
Revenue expected to be recognized as of September 30, 2022	\$ 41,135	\$ 86,433	\$ 47,742	\$ 297,488	\$ 472,798

We applied the practical expedient and do not disclose consideration for remaining performance obligations with an original expected duration of one year or less. In addition, we do not estimate revenues expected to be recognized related to unsatisfied performance obligations for contracts without minimum room commitments. The table above represents only a portion of our expected future consolidated revenues and it is not necessarily indicative of the expected trend in total revenues.

**3. IMPAIRMENT CHARGES**

*Quarter ended June 30, 2021.* During the second quarter of 2021, we recorded impairment expense of \$7.9 million related to various undeveloped land positions and related permitting costs in Australia. At June 30, 2021, we identified an impairment trigger related to certain of these properties due to the cancellation of a significant thermal coal project in Australia and our negative expectations related to other possible Australian thermal coal projects becoming viable in the near term. Accordingly, the assets were written down to their estimated fair value of \$2.4 million.

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

**4. FAIR VALUE MEASUREMENTS**

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

As of September 30, 2022 and December 31, 2021, we believe the carrying value of our floating-rate debt outstanding under our term loans and revolving credit facilities approximates fair value because the terms include short-term interest rates and exclude penalties for prepayment. We estimated the fair value of our floating-rate term loan and revolving credit facilities using significant other observable inputs, representative of a Level 2 fair value measurement, including terms and credit spreads for these loans. In addition, the estimated fair value of our assets held for sale is based upon Level 2 fair value measurements, which include appraisals and previous negotiations with third parties.

During the second quarter of 2021, we wrote down certain long-lived assets to fair value. Our estimate of the fair value of undeveloped land positions in Australia that were impaired was based on appraisals from third parties.

See Note 3 – Impairment Charges for further information.

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

Additional information regarding selected balance sheet accounts at September 30, 2022 and December 31, 2021 is presented below (in thousands):

	September 30, 2022	December 31, 2021
<b>Accounts receivable, net:</b>		
Trade	\$ 69,833	\$ 75,740
Unbilled revenue	51,567	38,508
Other	1,184	972
Total accounts receivable	122,584	115,220
Allowance for credit losses	(304)	(361)
Total accounts receivable, net	\$ 122,280	\$ 114,859

	September 30, 2022	December 31, 2021
<b>Inventories:</b>		
Finished goods and purchased products	\$ 5,586	\$ 5,346
Work in process	—	25
Raw materials	1,398	1,097
Total inventories	\$ 6,984	\$ 6,468

	Estimated Useful Life (in years)	September 30, 2022	December 31, 2021
<b>Property, plant and equipment, net:</b>			
Land		\$ 25,896	\$ 30,556
Accommodations assets	3 — 15	1,426,704	1,657,577
Buildings and leasehold improvements	7 — 20	17,260	24,335
Machinery and equipment	4 — 15	10,752	14,983
Office furniture and equipment	3 — 7	61,187	63,228
Vehicles	3 — 5	8,227	14,578
Construction in progress		9,444	2,063
Total property, plant and equipment		1,559,470	1,807,320
Accumulated depreciation		(1,249,718)	(1,417,324)
Total property, plant and equipment, net		\$ 309,752	\$ 389,996

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Accrued liabilities:</b>		
Accrued compensation	\$ 27,577	\$ 28,877
Accrued taxes, other than income taxes	2,901	2,944
Other	1,954	1,743
<b>Total accrued liabilities</b>	<b>\$ 32,432</b>	<b>\$ 33,564</b>

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Deferred revenue:</b>		
Contract liabilities	\$ 2,092	\$ 18,479

Deferred revenue consists of contract liabilities resulting from upfront payments related to the mobilization of mobile assets to service pipeline projects in our Canadian business segment. The decrease in deferred revenue from December 31, 2021 to September 30, 2022 was primarily due to the recognition of deferred revenue over the contracted terms of these pipeline projects in Canada.

## 6. ASSETS AND LIABILITIES HELD FOR SALE

As of September 30, 2022, assets and liabilities held for sale included certain assets and liabilities in our U.S. business segment. As of December 31, 2021, assets and liabilities held for sale included certain assets in our U.S. business segment and undeveloped land holdings in our Australia business segment. These assets and liabilities were recorded at the estimated fair value less costs to sell, which exceeded their carry values.

The following table summarizes the carrying amount as of September 30, 2022 and December 31, 2021 of the assets and liabilities classified as held for sale (in thousands):

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets held for sale:</b>		
<b>Assets</b>		
Accounts receivable, net	\$ 1,247	\$ —
Inventories	321	—
Property, plant and equipment, net	12,010	11,762
Other noncurrent assets	181	—
<b>Total assets held for sale</b>	<b>\$ 13,759</b>	<b>\$ 11,762</b>
<b>Liabilities held for sale:</b>		
<b>Liabilities</b>		
Accounts payable	\$ 375	\$ —
Accrued liabilities	470	—
Deferred revenue	122	—
Other current liabilities	44	—
Other noncurrent liabilities	114	—
<b>Total liabilities held for sale <sup>(1)</sup></b>	<b>\$ 1,125</b>	<b>\$ —</b>

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<sup>(1)</sup> Liabilities held for sale are classified as a current liability on the unaudited consolidated balance sheets, under the caption "Other current liabilities."

**7. EARNINGS PER SHARE**

We use the two-class method to calculate basic and diluted earnings per share because we have participating securities in the form of Class A preferred shares. The two-class method requires a proportional share of net income to be allocated between common shares and participating securities. The proportional share to be allocated to participating securities is determined by dividing total weighted average participating securities by the sum of total weighted average common shares and participating securities.

Basic earnings per share is computed under the two-class method by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Net income attributable to common shareholders represents our net income reduced by an allocation of current period earnings to participating securities as described above. No such adjustment is made during periods with a net loss, as the adjustment would be anti-dilutive.

Diluted earnings per share is computed under the two-class method by dividing diluted net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding, plus, for periods with net income attributable to common stockholders, the potential dilutive effects of share-based awards. In addition, we calculate the potential dilutive effect of any outstanding dilutive security under both the two-class method and the "if-converted" method, and we report the more dilutive of the methods as our diluted earnings per share. We also apply the treasury stock method with respect to certain share-based awards in the calculation of diluted earnings per share, if dilutive.

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Numerator:</b>				
Net income (loss) attributable to Civeo common shareholders	\$ 5,225	\$ 62	\$ 15,226	\$ (10,367)
Less: income allocated to participating securities	(794)	(9)	(2,297)	—
Basic net income (loss) attributable to Civeo Corporation common shareholders	\$ 4,431	\$ 53	\$ 12,929	\$ (10,367)
Add: undistributed income attributable to participating securities	794	9	2,297	—
Less: undistributed income reallocated to participating securities	(788)	(9)	(2,275)	—
Diluted net income (loss) attributable to Civeo Corporation common shareholders	<u>\$ 4,437</u>	<u>\$ 53</u>	<u>\$ 12,951</u>	<u>\$ (10,367)</u>
<b>Denominator:</b>				
Weighted average shares outstanding - basic	13,932	14,277	14,058	14,255
Dilutive shares - share-based awards	132	84	162	—
Weighted average shares outstanding - diluted	<u>14,064</u>	<u>14,361</u>	<u>14,220</u>	<u>14,255</u>
Basic net income (loss) per share attributable to Civeo Corporation common shareholders <sup>(1)</sup>	\$ 0.32	\$ —	\$ 0.92	\$ (0.73)
Diluted net income (loss) per share attributable to Civeo Corporation common shareholders <sup>(1)</sup>	\$ 0.32	\$ —	\$ 0.91	\$ (0.73)

<sup>(1)</sup> Computations may reflect rounding adjustments.

The following common share equivalents have been excluded from the calculation of weighted-average common shares outstanding because the effect is anti-dilutive for the periods presented (in millions of shares):

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	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Share-based awards <sup>(1)</sup>	—	0.1	—	0.2
Preferred shares	2.5	2.4	2.5	2.4

<sup>(1)</sup> Share-based awards for the three and nine months ended September 30, 2022 totaled less than 0.1 million shares.

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**8. DEBT**

As of September 30, 2022 and December 31, 2021, long-term debt consisted of the following (in thousands):

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Canadian term loan; weighted average interest rate of 4.7% for the nine month period ended September 30, 2022	\$ 36,480	\$ 63,104
U.S. revolving credit facility; weighted average interest rate of 6.3% for the nine month period ended September 30, 2022	—	—
Canadian revolving credit facility; weighted average interest rate of 5.0% for the nine month period ended September 30, 2022	83,904	111,300
Australian revolving credit facility; weighted average interest rate of 3.8% for the nine month period ended September 30, 2022	5,832	726
	<u>126,216</u>	<u>175,130</u>
Less: Unamortized debt issuance costs	1,525	1,952
Total debt	124,691	173,178
Less: Current portion of long-term debt, including unamortized debt issuance costs, net	27,964	30,576
Long-term debt, less current maturities	<u>\$ 96,727</u>	<u>\$ 142,602</u>

***Credit Agreement***

As of September 30, 2022, our Credit Agreement (as then amended to date, the Credit Agreement) provided for: (i) a \$200.0 million revolving credit facility scheduled to mature on September 8, 2025, allocated as follows: (A) a \$10.0 million senior secured revolving credit facility in favor of one of our U.S. subsidiaries, as borrower; (B) a \$155.0 million senior secured revolving credit facility in favor of Civeo, as borrower; and (C) a \$35.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower; and (ii) a C\$100.0 million term loan facility scheduled to be fully repaid on December 31, 2023 in favor of Civeo.

U.S. dollar amounts outstanding under the facilities provided by the Credit Agreement bear interest at a variable rate equal to the London Inter-Bank Offered Rate (LIBOR) plus a margin of 3.00% to 4.00%, or a base rate plus 2.00% to 3.00%, in each case based on a ratio of our total net debt to Consolidated EBITDA (as defined in the Credit Agreement). Canadian dollar amounts outstanding bear interest at a variable rate equal to a Bankers' Acceptance Discount Rate (as defined in the Credit Agreement) based on the Canadian Dollar Offered Rate (CDOR) plus a margin of 3.00% to 4.00%, or a Canadian Prime rate plus a margin of 2.00% to 3.00%, in each case based on a ratio of our total debt to Consolidated EBITDA. Australian dollar amounts outstanding under the Credit Agreement bear interest at a variable rate equal to the Bank Bill Swap Bid Rate plus a margin of 3.00% to 4.00%, based on a ratio of our total net debt to Consolidated EBITDA. The future transitions from LIBOR and CDOR as interest rate benchmarks are addressed in the Credit Agreement and at such time the transition from (i) LIBOR takes place, an alternate benchmark will be established based on the first alternative of the following, plus a benchmark replacement adjustment, Term Secured Overnight Financing Rate (SOFR), Daily Simple SOFR and an alternative benchmark selected by the administrative agent and the applicable borrowers giving due consideration to any selection or recommendation by a government body or any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for U.S. dollar-denominated syndicated credit facilities at such time or (ii) CDOR takes place, we will endeavor with the administrative agent to establish an alternate rate of interest to CDOR that gives due consideration to any evolving or then existing convention for similar Canadian Dollar denominated syndicated credit facilities for the replacement of CDOR.

The Credit Agreement contains customary affirmative and negative covenants that, among other things, limit or restrict: (i) indebtedness, liens and fundamental changes; (ii) asset sales; (iii) acquisitions of margin stock; (iv) specified acquisitions; (v) certain restrictive agreements; (vi) transactions with affiliates; and (vii) investments and other restricted payments, including dividends and other distributions. In addition, we must maintain a minimum interest coverage ratio, defined as the ratio of Consolidated EBITDA to consolidated interest expense, of at least 3.00 to 1.00 and our maximum net leverage ratio, defined as

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the ratio of total net debt to Consolidated EBITDA, of no greater than 3.00 to 1.00. Following a qualified offering of indebtedness, we will be required to maintain a maximum leverage ratio of no greater than 3.50 to 1.00 and a maximum senior secured ratio less than 2.00 to 1.00. 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 and asset impairments, debt discount amortization, amortization of intangibles and other non-cash charges. We were in compliance with our covenants as of September 30, 2022.

Borrowings under the Credit Agreement are secured by a pledge of substantially all of our assets and the assets of our subsidiaries subject to customary exceptions. The obligations under the Credit Agreement are guaranteed by our significant subsidiaries. As of September 30, 2022, we had seven lenders that were parties to the Credit Agreement, with total commitments (including both revolving commitments and term commitments) ranging from \$22.5 million to \$52.0 million. As of September 30, 2022, we had outstanding letters of credit of \$0.3 million under the U.S. facility, zero under the Australian facility and \$1.1 million under the Canadian facility. We also had outstanding bank guarantees of A\$0.8 million under the Australian facility.

## **9. INCOME TAXES**

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

We operate in three jurisdictions, Canada, Australia and the U.S., where statutory tax rates range from 15% to 30%. Our effective tax rate will vary from period to period based on changes in earnings mix between these different jurisdictions.

We compute our quarterly taxes under the effective tax rate method by applying an anticipated annual effective rate to our year-to-date income, except for significant unusual or extraordinary transactions. Income taxes for any significant and unusual or extraordinary transactions are computed and recorded in the period in which the specific transaction occurs. As of September 30, 2022, the U.S. was considered a loss jurisdiction for tax accounting purposes and was removed from the annual effective tax rate computation for purposes of computing the interim tax provision. As of September 30, 2021, Canada and the U.S. were considered loss jurisdictions for tax accounting purposes and were removed from the annual effective tax rate computation for purposes of computing the interim tax provision.

Our income tax expense for the three months ended September 30, 2022 totaled \$3.7 million, or 37.2% of pretax income, compared to income tax expense of \$1.8 million, or 63.4% of pretax income, for the three months ended September 30, 2021. Our effective tax rate for the three months ended September 30, 2022 was impacted by considering the U.S. a loss jurisdiction that was removed from the annual effective tax rate computation for purposes of computing the interim tax provision. For the three months ended September 30, 2021, our effective tax rate was impacted by considering Canada and the U.S. loss jurisdictions that were removed from the annual effective tax rate computation for purposes of computing the interim tax provision. Additionally, under Accounting Standards Codification 740-270, "Accounting for Income Taxes," the quarterly tax provision is based on our current estimate of the annual effective tax rate less the prior quarter's year to date provision.

Our income tax expense for nine months ended September 30, 2022 totaled \$7.1 million, or 27.8% of pretax income, compared to income tax expense of \$2.4 million, or (39.0)% of pretax loss, for the nine months ended September 30, 2021. Our effective tax rate for the nine months ended September 30, 2022 was impacted by considering the U.S. a loss jurisdiction that was removed from the annual effective tax rate computation for the purposes of computing the interim tax provision. Our effective tax rate for the nine months ended September 2021 was impacted by considering Canada and the U.S. loss jurisdictions that were removed from the annual effective tax rate computation for the purposes of computing the interim tax provision.

## **10. 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.

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**11. ACCUMULATED OTHER COMPREHENSIVE LOSS**

Our accumulated other comprehensive loss increased \$32.5 million from \$361.9 million at December 31, 2021 to \$394.4 million at September 30, 2022, as a result of foreign currency exchange rate fluctuations. Changes in other comprehensive loss during the first nine months of 2022 were primarily driven by the Australian dollar and Canadian dollar decreasing in value compared to the U.S. dollar. Excluding intercompany balances, our Canadian dollar and Australian dollar functional currency net assets totaled approximately C\$232 million and A\$232 million, respectively, at September 30, 2022.

**12. SHARE REPURCHASES**

In August 2021, our Board of Directors (Board) authorized a common share repurchase program (the 2021 Share Repurchase Program) to repurchase up to 5.0% of our total common shares which are issued and outstanding, or approximately 715,000 common shares, over a twelve month period. In August 2022, our Board authorized a new common share repurchase program (the 2022 Share Repurchase Program) to repurchase up to 5.0% of our total common shares which are issued and outstanding, or approximately 685,000 common shares, over a twelve month period. The 2022 Share Repurchase Program and the 2021 Share Repurchase Program are collectively referred to as the "Share Repurchase Programs."

The repurchase authorization allows repurchases from time to time in open market transactions, including pursuant to trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. We have funded, and intend to continue to fund, repurchases through cash on hand and cash generated from operations. The common shares repurchased under the Share Repurchase Programs are cancelled in the periods they are acquired and the payment is accounted for as an increase to accumulated deficit in our Unaudited Consolidated Statements of Changes in Shareholders' Equity in the period the payment is made.

Pursuant to our 2021 Share Repurchase Program, during the nine months ended September 30, 2022, we repurchased an aggregate of 123,882 of our common shares outstanding at a weighted average price of \$28.54 per share, for a total of approximately \$3.5 million. We repurchased an aggregate of 341,061 of our common shares outstanding at a weighted average price of \$23.98 per share for a total cost of \$8.2 million during the twelve month period comprising the 2021 Share Repurchase Program. We have not repurchased any shares under the 2022 Share Repurchase Program as of September 30, 2022.

In addition to the Share Repurchase Programs, we repurchased 374,753 common shares from a shareholder for approximately \$10.7 million during the three months ended September 30, 2022.

**13. SHARE-BASED COMPENSATION**

Certain key employees and non-employee directors participate in the Amended and Restated 2014 Equity Participation Plan of Civeo Corporation (the Civeo Plan). The Civeo Plan authorizes our Board and the Compensation Committee of our Board to approve grants of options, awards of restricted shares, performance awards, phantom share awards and dividend equivalents, awards of deferred shares, and share payments to our employees and non-employee directors. No more than 2.4 million Civeo common shares are authorized to be issued under the Civeo Plan.

***Outstanding Awards***

***Restricted Share Awards / Restricted Share Units / Deferred Share Awards.*** On May 18, 2022, we granted 39,032 restricted share awards to our non-employee directors, which vest in their entirety on May 17, 2023.

Compensation expense associated with restricted share awards, restricted share units and deferred share awards recognized in the three months ended September 30, 2022 and 2021 totaled \$0.3 million and \$0.4 million, respectively. Compensation expense associated with restricted share awards, restricted share units and deferred share awards recognized in the nine months ended September 30, 2022 and 2021 totaled \$0.9 million and \$1.2 million, respectively. The total fair value of restricted share awards, restricted share units and deferred share awards that vested during both the three months ended September 30, 2022 and 2021 was less than \$0.1 million. The total fair value of restricted share awards, restricted share units and deferred share awards that vested during the nine months ended September 30, 2022 and 2021 was \$2.1 million and \$1.5 million, respectively.

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At September 30, 2022, unrecognized compensation cost related to restricted share awards, restricted share units and deferred share awards was \$0.6 million, which is expected to be recognized over a weighted average period of 0.6 years.

**Phantom Share Awards.** On February 25, 2022, we granted 255,034 phantom share awards under the Civeo Plan, which vest in three equal annual installments beginning on February 25, 2023. We also granted 77,574 phantom share awards under the Canadian Long-Term Incentive Plan, which vest in three equal annual installments beginning on February 25, 2023. Phantom share awards are settled in cash upon vesting.

During the three months ended September 30, 2022 and 2021, we recognized compensation expense associated with phantom shares totaling \$2.3 million and \$2.1 million, respectively. During the nine months ended September 30, 2022 and 2021, we recognized compensation expense associated with phantom shares totaling \$7.2 million and \$5.0 million, respectively. At September 30, 2022, unrecognized compensation cost related to phantom shares was \$11.7 million, as remeasured at September 30, 2022, which is expected to be recognized over a weighted average period of 1.9 years.

**Performance Awards.** On February 25, 2022, we granted 122,555 performance awards under the Civeo Plan, which cliff vest in three years on February 25, 2025 subject to attainment of applicable performance criteria. These awards will be earned in amounts between 0% and 200% of the participant's target performance share award, based equally on (i) the payout percentage associated with Civeo's relative total shareholder return rank among a peer group that includes 17 other companies and (ii) the payout percentage associated with Civeo's cumulative operating cash flow over the performance period relative to a preset target. The portion of the performance awards tied to cumulative operating cash flow includes a performance-based vesting requirement. The fair value of these awards is based on the closing market price of our common shares on the date of grant. We evaluate the probability of achieving the performance criteria throughout the performance period and will adjust share-based compensation expense based on the number of shares expected to vest based on our estimate of the most probable performance outcome.

During the three months ended September 30, 2022 and 2021, we recognized compensation expense associated with performance awards totaling \$0.6 million and \$0.6 million, respectively. During the nine months ended September 30, 2022 and 2021, we recognized compensation expense associated with performance awards totaling \$1.9 million and \$1.7 million, respectively. No performance share awards vested during the three months ended September 30, 2022 and 2021. The total fair value of performance share awards that vested during the nine months ended September 30, 2022 and 2021 was \$2.4 million and \$1.9 million, respectively. At September 30, 2022, unrecognized compensation cost related to performance shares was \$4.6 million, which is expected to be recognized over a weighted average period of 2.0 years.

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**14. SEGMENT AND RELATED INFORMATION**

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

Financial information by business segment for each of the three and nine months ended September 30, 2022 and 2021 is summarized in the following table (in thousands):

	Total revenues	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
<b>Three months ended September 30, 2022</b>					
Canada	\$ 103,009	\$ 14,749	\$ 7,846	\$ 3,580	\$ 718,981
Australia	73,805	7,599	5,859	4,921	191,557
U.S.	7,413	312	(1,690)	286	20,159
Corporate and eliminations	—	(52)	(1,230)	32	(347,368)
Total	<u>\$ 184,227</u>	<u>\$ 22,608</u>	<u>\$ 10,785</u>	<u>\$ 8,819</u>	<u>\$ 583,329</u>
<b>Three months ended September 30, 2021</b>					
Canada	\$ 84,057	\$ 11,511	\$ 6,131	\$ 1,344	\$ 754,223
Australia	65,118	8,033	4,422	1,647	231,427
U.S.	5,888	567	(2,124)	336	26,699
Corporate and eliminations	—	171	(2,419)	62	(328,307)
Total	<u>\$ 155,063</u>	<u>\$ 20,282</u>	<u>\$ 6,010</u>	<u>\$ 3,389</u>	<u>\$ 684,042</u>
<b>Nine months ended September 30, 2022</b>					
Canada	\$ 307,984	\$ 41,344	\$ 23,081	\$ 7,433	\$ 718,981
Australia	205,154	23,284	17,446	8,969	191,557
U.S.	21,721	1,089	(4,594)	1,010	20,159
Corporate and eliminations	—	101	(6,669)	54	(347,368)
Total	<u>\$ 534,859</u>	<u>\$ 65,818</u>	<u>\$ 29,264</u>	<u>\$ 17,466</u>	<u>\$ 583,329</u>
<b>Nine months ended September 30, 2021</b>					
Canada	\$ 229,223	\$ 35,750	\$ 5,924	\$ 3,667	\$ 754,223
Australia	188,774	25,004	5,073	4,348	231,427
U.S.	16,672	1,675	(5,831)	1,187	26,699
Corporate and eliminations	—	499	(6,928)	443	(328,307)
Total	<u>\$ 434,669</u>	<u>\$ 62,928</u>	<u>\$ (1,762)</u>	<u>\$ 9,645</u>	<u>\$ 684,042</u>

### **Cautionary Statement Regarding Forward-Looking Statements**

*This quarterly report on Form 10-Q contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. The forward-looking statements can be identified by the use of forward-looking terminology including “may,” “expect,” “anticipate,” “estimate,” “continue,” “believe” or other similar words. The forward-looking statements in this report include, but are not limited to, the statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” relating to our expectations about the macroeconomic environment and industry conditions, including the impact of COVID-19 and the response thereto and the volatility in the price of and demand for commodities, as well as our expectations about capital expenditures in 2022 and beliefs with respect to liquidity needs. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of important factors. For a discussion of known material factors that could affect our results, please refer to “Risk Factors,” “Cautionary Statement Regarding Forward-Looking Statements,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2021 and our subsequent SEC filings. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Our management believes these forward-looking statements are reasonable. However, you should not place undue reliance on these forward-looking statements, which are based only on our current expectations and are not guarantees of future performance. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise any of them in light of new information, future events or otherwise, except to the extent required by applicable law.*

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

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

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

#### **Overview and Macroeconomic Environment**

We provide hospitality services to the natural resources industry in Canada, Australia and the U.S. Demand for our services can be attributed to two phases of our customers’ projects: (1) the development or construction phase; and (2) the operations or production phase. Historically, initial demand for our hospitality services has been driven by our customers’ capital spending programs related to the construction and development of natural resource projects and associated infrastructure, as well as the exploration for oil and natural gas. Long-term demand for our services has been driven by natural resource production, maintenance and operation of those facilities as well as expansion of those sites. In general, industry capital spending programs are based on the outlook for commodity prices, economic growth, global commodity supply/demand, estimates of resource production and shareholder expectations. As a result, demand for our hospitality services is largely sensitive to expected commodity prices, principally related to oil, metallurgical (met) coal, liquefied natural gas (LNG) and iron ore. Other factors that can affect our business and financial results include the general global economic environment and regulatory changes in Canada, Australia, the U.S. and other markets, including governmental measures introduced to fight climate change or to help slow the spread or mitigate the impact of COVID-19.

Our business is predominantly located in northern Alberta, Canada; British Columbia, Canada; Queensland, Australia; and Western Australia. We derive most of our business from natural resource companies who are developing and producing oil sands, met coal, LNG and iron ore resources and, to a lesser extent, other hydrocarbon and mineral resources. In the third quarter of 2022, approximately 60% of our revenue was generated by our lodges in Canada and our villages in Australia. Where traditional accommodations and infrastructure are insufficient, inaccessible or cost ineffective, our lodge and village facilities provide comprehensive hospitality services similar to those found in an urban hotel. We typically contract our facilities to our customers on a fee-per-person-per-day basis that covers lodging and meals and is based on the duration of customer needs,

which can range from several weeks to several years. The remainder of our revenue is generated by our hospitality services at customer-owned locations in Canada and Australia, mobile assets in Canada and the U.S and our lodges in the U.S.

Generally, our core Canadian oil sands and Australian mining customers make significant, upfront capital investments to develop their prospects, which have estimated reserve lives ranging from ten years to in excess of 30 years. Consequently, these investments are primarily dependent on those customers' long-term views of commodity demand and prices.

The spread of COVID-19 and the response thereto have negatively impacted the global economy. The actions taken by governments and the private-sector to mitigate the spread of COVID-19 and the risk of infection, including government-imposed or voluntary social distancing and quarantining, reduced travel and remote work policies, evolved with the introduction of vaccination efforts in 2021, and may continue to evolve as virus variants have added uncertainty to the continuing global impact. Since the COVID-19 pandemic began, we have been impacted by increased staff costs as a result of hospitality labor shortages in Australia. This labor shortage has been exacerbated by significantly reduced foreign labor availability and reduced labor mobility in Australia, which has subsequently led to an increased reliance on more expensive temporary labor resources. We continue to closely monitor the COVID-19 situation and have taken measures to help ensure the health and well-being of our employees, guests and contractors, including screening of individuals that enter our facilities, social distancing practices, enhanced cleaning and sanitization efforts, the suspension of nonessential employee travel and implementation of work-from-home policies, where applicable.

In part due to the impact of COVID-19 on the global economy and governmental responses thereto, increasing inflationary pressures are being experienced worldwide. These price increases have, and are expected to continue to have, a negative impact on our labor and food costs, as well as consumable costs such as fuel. We are managing inflation risk with negotiated service scope changes and contractual protections.

Global oil prices dropped to historically low levels in March and April 2020 due to severely reduced global oil demand, high global crude inventory levels, uncertainty around timing and slope of worldwide economic recovery after COVID-19 related economic shut-downs and effectiveness of production cuts by major oil producing countries, such as Saudi Arabia, Russia and the U.S. Since this trough in early 2020, global oil prices increased later in 2020 and throughout 2021 primarily due to improved global oil demand and lagging global oil supply due to oil production discipline from publicly traded oil producers and OPEC+ countries. These supply/demand dynamics have continued in 2022 and have been exacerbated by the recent conflict between Russia and Ukraine and related sanctions on Russia as well as actions taken by OPEC+ to adjust production levels, which are decreasing global fossil fuel supply even further. This led to a significant increase in global oil prices to above \$100 per barrel. In response, several governments, including the U.S. government under the Biden administration, have begun to release oil from the government controlled strategic reserves.

**Alberta, Canada.** In Canada, Western Canadian Select (WCS) crude is the benchmark price for our oil sands customers. Pricing for WCS is driven by several factors, including the underlying price for West Texas Intermediate (WTI) crude, the availability of transportation infrastructure (consisting of pipelines and crude by railcar), refinery blending requirements and governmental regulation. Historically, WCS has traded at a discount to WTI, creating a "WCS Differential," due to transportation costs and capacity restrictions to move Canadian heavy oil production to refineries, primarily along the U.S. Gulf Coast. The WCS Differential has varied depending on the extent of transportation capacity availability.

Certain expansionary oil pipeline projects have the potential to both drive incremental demand for mobile assets and to improve take-away capacity for Canadian oil sands producers over the longer term. The Enbridge Line 3 replacement project was completed at the end of 2021 and the Trans Mountain Pipeline (TMX) is currently under construction and continues to progress towards completion. The Canadian federal government acquired the TMX pipeline in 2018, approved the expansion of the project and is currently working through a revised construction timeline to adjust for recent delays related to legal challenges, the COVID-19 pandemic, flooding along certain sections of the pipeline corridor and seasonal wildfires. As a result, the TMX pipeline construction has been delayed, and there is a risk that there could be future delays. Recent legal issues between the Canadian government and First Nation groups have been resolved for the time being and construction has resumed.

WCS prices in the third quarter of 2022 averaged \$70.70 per barrel compared to an average of \$57.58 in the third quarter of 2021. The WCS Differential increased from \$14.12 per barrel at the end of the fourth quarter of 2021 to \$21.72 at the end of the third quarter of 2022. As of October 21, 2022, the WTI price was \$86.65 and the WCS price was \$58.72, resulting in a WCS Differential of \$27.93.

Together with the initial spread of COVID-19, depressed price levels of both WTI and WCS materially impacted 2020 maintenance and production spending and activity by Canadian operators and, therefore, demand for our hospitality services. Customers began increasing production activity in the fourth quarter of 2020 and production capacity has approached pre-

pandemic levels in 2022. Although oil prices reached multi-year highs in the first half of 2022, there is continued uncertainty around commodity price levels, including the impact of COVID-19, inflationary pressures, actions taken by OPEC+ to adjust production levels and regulatory implications on such prices, which could cause our Canadian oil sands and pipeline customers to reduce production, delay expansionary and maintenance spending and defer additional investments in their oil sands assets.

**British Columbia, Canada.** Our Sitka Lodge supports the LNG Canada project and related pipeline projects (see discussion below). From a macroeconomic standpoint, LNG demand continued to grow despite the spread of COVID-19, reinforcing the need for the global LNG industry to expand access to natural gas. Evolving government energy policies around the world have amplified support for cleaner energy supply, creating more opportunities for natural gas and LNG. The conflict between Russia and Ukraine has further highlighted the need for secure natural gas supply globally, particularly in Europe. Accordingly, additional investment in LNG supply will be needed to meet the resulting expected long-term LNG demand growth.

Currently, Western Canada does not have any operational LNG export facilities. LNG Canada (LNGC), a joint venture among Shell Canada Energy, an affiliate of Shell plc (40 percent), and affiliates of PETRONAS, through its wholly-owned entity, North Montney LNG Limited Partnership (25 percent), PetroChina (15 percent), Mitsubishi Corporation (15 percent) and Korea Gas Corporation (5 percent), is currently constructing a liquefaction and export facility in Kitimat, British Columbia (Kitimat LNG Facility). British Columbia LNG activity and related pipeline projects are a material driver of activity for our Sitka Lodge, as well as for our mobile assets, which are contracted to serve designated portions of the related pipeline construction activity. The actual timing of when revenue is realized from the Coastal GasLink (CGL) pipeline and Sitka Lodge contracts could be impacted by any delays in the construction of the Kitimat LNG Facility or the pipeline, such as protest blockades or COVID-19. Our current expectation is that our contracted commitments associated with the CGL pipeline project will be completed in 2023. Any new delays in facility or pipeline construction may result in extensions to these dates.

In late March 2020, LNGC announced steps being taken to reduce the spread of COVID-19, including reduction of the workforce at the project site to essential personnel only. In late December 2020, British Columbia's public health officer issued a health order limiting workforce size at all large industrial projects across the province, including LNGC. These actions resulted in reduced occupancy at our Sitka Lodge beginning in the second quarter of 2020. British Columbia's public health order was phased out in the second quarter of 2021. It was replaced with less restrictive requirements focused on monitoring, allowing workforces to return to their optimal sizes, which increased occupancy at our Sitka Lodge in the second half of 2021 and into 2022.

**Australia.** In Australia, 82% of our rooms are located in the Bowen Basin of Queensland, Australia and primarily serve met coal mines in that region. Met coal pricing and production growth in the Bowen Basin region is predominantly influenced by the level of global steel production, which decreased by 5.1% through August 2022 compared to the same period of 2021. Analysts forecast steel production for 2022 to remain subdued for the full year when compared to 2021, as a result of weakness in the Chinese residential sector and slowing global growth due to inflationary pressures. As of October 21, 2022, met coal spot prices were \$285 per metric tonne. Steel output is forecast to improve marginally through 2024, with large infrastructure rollouts in a number of major economies including the U.S. and India.

The Chinese embargo on Australian coal continues. However, Australian met coal producers have found new markets, including India and Europe, for their premium product. This led to a rebalancing of the market globally in 2021, with China relying on domestic production along with increased met coal imports from the U.S., Canada and Mongolia. With the historical backdrop of strong steel demand and met coal supply constraints, the spot price for met coal surged to record highs through the second half of 2021 into early 2022. Since the historic highs in early 2022, prices have stabilized with weather-related supply interruptions in Australia offset by weakening steel demand. Analysts forecast the current stable prices to rise in the fourth quarter 2022 due to higher demand in India and supply pressure related La Niña impacts in Australia's production. Analysts are forecasting prices to remain close to \$250 into 2023, though volatility with both supply and demand drivers could impact prices and drive them higher or lower.

Civeo's activity in Western Australia is driven primarily by iron ore production, which is a key steel-making ingredient. Through the second half of 2021, with forced cuts in Chinese steel production, prices retreated from the peaks experienced in mid-2021. Iron ore prices remained stable through early 2022 and fell to just below \$100 during the third quarter of 2022 with a slowdown in steel production. As of October 20, 2022, iron ore spot prices were \$87.84 per metric tonne. Analysts anticipate that infrastructure-led construction activity in China and other large world economies will continue to stabilize prices at current levels, though residential activity in China remains subdued. Analysts forecast pricing through 2023 to remain between \$90 and \$110.

**U.S.** In September, we sold our wellsite services business. Our remaining U.S. business supports offshore oil and gas activities in the Gulf of Mexico, completion activity in the Bakken and construction and turnaround work in the Louisiana industrial area. All these activities are primarily tied to WTI oil prices in the U.S. market. In 2020, the U.S. oil rig count and associated completion activity decreased due to COVID-19 and the global oil price decline discussed above. Only 267 oil rigs were active at the end of 2020. With the recovery of oil prices, oil rig count and drilling activity have recovered substantially, with 604 oil rigs active at the end of the third quarter 2022. The increase in the U.S. rig count and oil prices has only resulted in slight increases to U.S. oil production from an average of 11.3 million barrels per day in 2021 to an average of 11.8 million barrels per day at the end of July 2022. As of October 21, 2022, there were 612 active oil rigs in the U.S. (as measured by Bakerhughes.com). U.S. oil drilling and completion activity will continue to be impacted by oil prices, pipeline capacity, federal energy policies and availability of capital to support exploration and production (E&P) drilling and completion plans. In addition, consolidation among our E&P customer base in the U.S. has historically created short-term spending and activity dislocations. Should the current trend of industry consolidation continue, we may see activity, utilization and occupancy declines in the near term.

**Recent Commodity Prices.** Recent WTI crude, WCS crude, met coal and iron ore 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 tonne)	Iron Ore (per tonne)
Fourth Quarter through October 21, 2022	\$ 87.20	\$ 59.78	\$ 279.41	\$ 92.31
9/30/2022	91.63	70.70	252.63	99.21
6/30/2022	108.77	92.89	464.61	128.80
3/31/2022	95.17	82.04	474.83	129.46
12/31/2021	77.31	60.84	371.95	104.88
9/30/2021	70.54	57.58	258.41	164.90
6/30/2021	66.19	53.27	136.44	195.97

<sup>(1)</sup> Source: WTI crude prices are from U.S. Energy Information Administration (EIA), WCS crude prices and iron ore prices are from Bloomberg and hard coking coal prices are from IHS Markit.

**Foreign Currency Exchange Rates.** Exchange rates between the U.S. dollar and each of the Canadian dollar and the Australian dollar influence our U.S. dollar reported financial results. Our business has historically derived the vast majority of its revenues and operating income (loss) in Canada and Australia. These revenues and profits/losses are translated into U.S. dollars for U.S. GAAP financial reporting purposes. The following tables summarize the fluctuations in the exchange rates between the U.S. dollar and each of the Canadian dollar and the Australian dollar:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	Change	Percentage	2022	2021	Change	Percentage
Average Canadian dollar to U.S. dollar	\$0.766	\$0.794	(\$0.03)	(3.5)%	\$0.779	\$0.799	(\$0.02)	(2.5)%
Average Australian dollar to U.S. dollar	\$0.683	\$0.735	(\$0.05)	(7.1)%	\$0.707	\$0.759	(\$0.05)	(6.8)%

  

	As of			
	September 30, 2022	December 31, 2021	Change	Percentage
Canadian dollar to U.S. dollar	\$0.730	\$0.789	(\$0.06)	(7.5)%
Australian dollar to U.S. dollar	\$0.648	\$0.726	(\$0.08)	(10.7)%

These fluctuations of the Canadian and Australian dollars have had and will continue to have an impact on the translation of earnings generated from our Canadian and Australian subsidiaries and, therefore, our financial results.

Capital Expenditures. We continue to monitor the global economy, commodity prices, demand for crude oil, met coal, LNG and iron ore, inflation, the COVID-19 global pandemic and the responses thereto and the resultant impact on the capital spending plans of our customers in order to plan our business activities. We currently expect that our 2022 capital expenditures will be in the range of approximately \$24 million to \$29 million, compared to 2021 capital expenditures of \$15.6 million. We previously increased 2022 capital expenditures estimates primarily as a result of recently awarded contracts for our Wapasu Lodge in Canada and our Australian integrated services business in Western Australia. We may adjust our capital expenditure plans in the future as we continue to monitor customer activity.

We have agreed to not renew an expiring land lease associated with our McClelland Lake Lodge in Alberta, Canada, which currently expires in June 2023, to support our customer's intent to mine the land where the lodge currently resides. We are currently working with the customer to (i) secure an alternative site for the lodge and (ii) obtain a contract to economically justify the cost of moving and reinstalling the lodge assets. However, we can provide no assurances that we will reach an agreement on a satisfactory contract to support the future utilization of the McClelland assets and the resulting impact could negatively affect our results of operations, financial condition and cash flows. We are in preliminary discussions with potential strategic joint venture partners that would participate in both the economics of relocating the lodge and its ongoing ownership. We expect to have further clarity on any potential contract associated with our McClelland Lake Lodge in the first half of 2023.

See "Liquidity and Capital Resources" below for further discussion of our 2022 capital expenditures.

## Results of Operations

Unless otherwise indicated, discussion of results for the three and nine months ended September 30, 2022, is based on a comparison to the corresponding periods of 2021.

### Results of Operations – Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

	Three Months Ended September 30,		
	2022	2021	Change
	(\$ in thousands)		
<b>Revenues</b>			
Canada	\$ 103,009	\$ 84,057	\$ 18,952
Australia	73,805	65,118	8,687
U.S. and other	7,413	5,888	1,525
Total revenues	184,227	155,063	29,164
<b>Costs and expenses</b>			
<b>Cost of sales and services</b>			
Canada	72,878	59,214	13,664
Australia	53,333	46,374	6,959
U.S. and other	7,285	5,842	1,443
Total cost of sales and services	133,496	111,430	22,066
Selling, general and administrative expenses	17,677	17,320	357
Depreciation and amortization expense	22,608	20,282	2,326
Other operating (income) expense	(339)	21	(360)
Total costs and expenses	173,442	149,053	24,389
Operating income	10,785	6,010	4,775
Interest expense, net	(2,988)	(3,582)	594
Other income	2,179	364	1,815
Income before income taxes	9,976	2,792	7,184
Income tax expense	(3,713)	(1,770)	(1,943)
Net income	6,263	1,022	5,241
Less: Net income attributable to noncontrolling interest	546	478	68
Net income attributable to Civeo Corporation	5,717	544	5,173
Less: Dividends attributable to preferred shares	492	482	10
Net income attributable to Civeo common shareholders	\$ 5,225	\$ 62	\$ 5,163

We reported net income attributable to Civeo for the quarter ended September 30, 2022 of \$5.2 million, or \$0.32 per diluted share compared to net income attributable to Civeo for the quarter ended September 30, 2021 of \$0.1 million, or \$0.00 per diluted share.

**Revenues.** Consolidated revenues increased \$29.2 million, or 19%, in the third quarter of 2022 compared to the third quarter of 2021. This increase was primarily due to (i) higher billed rooms at our Canadian lodges related to turnaround activities by a number of customers, (ii) higher average daily rate at our Canadian lodges largely due to occupancy mix, (iii) increased mobile asset activity from pipeline projects in Canada, (iv) increased activity at our Civeo owned villages in the Australian Bowen and Gunnedah Basins and (v) increased activity at our Australian integrated services villages in Western Australia. These items were partially offset by a weaker Australian and Canadian dollar relative to the U.S. dollar in the third quarter of 2022 compared to the third quarter of 2021. See the discussion of segment results of operations below for further information.

**Cost of Sales and Services.** Our consolidated cost of sales and services increased \$22.1 million, or 20%, in the third quarter of 2022 compared to the third quarter of 2021. This increase was primarily due to (i) higher billed rooms at our Canadian lodges, (ii) increased mobile asset activity from pipeline projects in Canada, (iii) increased activity at our Civeo owned villages in the Australian Bowen and Gunnedah Basins and (iv) increased activity at our Australian integrated services villages in Western Australia. These items were partially offset by a weaker Australian and Canadian dollar relative to the U.S.

dollar in the third quarter of 2022 compared to the third quarter of 2021. See the discussion of segment results of operations below for further information.

**Selling, General and Administrative Expenses.** SG&A expense increased \$0.4 million, or 2%, in the third quarter of 2022 compared to the third quarter of 2021. This increase was primarily due to higher information technology expense and travel and entertainment expense. This increase in information technology expense was related to set-up costs incurred in a cloud computing arrangement for our newly implemented human capital management system, which are being amortized through SG&A expense instead of depreciation and amortization expense. The increase in travel and entertainment expenses was largely a result of a return to more normalized travel expenses with the lifting of travel restrictions associated with COVID-19. These items were partially offset by lower incentive compensation costs and a weaker Australian and Canadian dollar relative to the U.S. dollar in the third quarter of 2022 compared to the third quarter of 2021.

**Depreciation and Amortization Expense.** Depreciation and amortization expense increased \$2.3 million, or 11%, in the third quarter of 2022 compared to the third quarter of 2021. The increase was primarily due to shortening the lives on certain assets in Canada, partially offset by certain assets in Canada becoming fully depreciated during 2021 and the disposal of our West Permian Lodge in the U.S. during 2021. In addition, depreciation and amortization expense decreased due to a weaker Australian and Canadian dollar relative to the U.S. dollar in the third quarter of 2022 compared to the third quarter of 2021.

**Operating Income.** Consolidated operating income increased \$4.8 million, or 79%, in the third quarter of 2022 compared to the third quarter of 2021, primarily due to higher activity levels in Canada and Australia in the third quarter of 2022 compared to the third quarter of 2021.

**Interest Expense, net.** Net interest expense decreased by \$0.6 million, or 17%, in the third quarter of 2022 compared to the third quarter of 2021, primarily related to lower average debt levels on credit facility borrowings during 2022 compared to 2021, partially offset by higher interest rates on credit facility borrowings.

**Other Income.** Consolidated other income increased \$1.8 million in the third quarter of 2022 compared to the third quarter of 2021 primarily due to higher gain on the sale of assets related to the sale of our Kambalda village and an undeveloped land holding in Australia, our wellsite business in the U.S. and various mobile assets and unused corporate office space in Canada in the third quarter of 2022 compared to the third quarter of 2021.

**Income Tax (Expense) Benefit.** Our income tax expense for the three months ended September 30, 2022 totaled \$3.7 million, or 37.2% of pretax income, compared to an income tax expense of \$1.8 million, or 63.4% of pretax income, for the three months ended September 30, 2021. Our effective tax rate for the three months ended September 30, 2022 was impacted by considering the U.S. a loss jurisdiction that was removed from the annual effective tax rate computation for purposes of computing the interim tax provision. For the three months ended September 30, 2021, our effective tax rate was impacted by considering Canada and the U.S. loss jurisdictions that were removed from the annual effective tax rate computation for purposes of computing the interim tax provision. Additionally, under Accounting Standards Codification 740-270, "Accounting for Income Taxes," the quarterly tax provision is based on our current estimate of the annual effective tax rate less the prior quarter's year to date provision.

**Other Comprehensive (Loss) Income.** Other comprehensive loss increased \$8.5 million in the third quarter of 2022 compared to the third quarter of 2021, primarily as a result of foreign currency translation adjustments due to changes in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar exchange rate compared to the U.S. dollar decreased 6% in the third quarter of 2022 compared to a 3% decrease in the third quarter of 2021. The Australian dollar exchange rate compared to the U.S. dollar decreased 6% in the third quarter of 2022 compared to a 4% decrease in the third quarter of 2021.

**Segment Results of Operations – Canadian Segment**

	Three Months Ended September 30,		
	2022	2021	Change
<b>Revenues (\$ in thousands)</b>			
Accommodation revenue <sup>(1)</sup>	\$ 72,724	\$ 60,511	\$ 12,213
Mobile facility rental revenue <sup>(2)</sup>	25,283	19,075	6,208
Food service and other services revenue <sup>(3)</sup>	5,002	4,471	531
Total revenues	\$ 103,009	\$ 84,057	\$ 18,952
<b>Cost of sales and services (\$ in thousands)</b>			
Accommodation cost	\$ 50,308	\$ 41,470	\$ 8,838
Mobile facility rental cost	15,597	11,144	4,453
Food service and other services cost	4,447	4,007	440
Indirect other costs	2,526	2,593	(67)
Total cost of sales and services	\$ 72,878	\$ 59,214	\$ 13,664
Gross margin as a % of revenues	29.3 %	29.6 %	(0.3)%
Average daily rate for lodges <sup>(4)</sup>	\$ 99	\$ 98	\$ 1
Total billed rooms for lodges <sup>(5)</sup>	730,708	613,017	117,691
Average Canadian dollar to U.S. dollar	\$ 0.766	\$ 0.794	\$ (0.028)

<sup>(1)</sup> Includes revenues related to lodge rooms and hospitality services for owned rooms for the periods presented.

<sup>(2)</sup> Includes revenues related to mobile assets for the periods presented.

<sup>(3)</sup> Includes revenues related to food services, laundry and water and wastewater treatment services for the periods presented.

<sup>(4)</sup> Average daily rate is based on billed rooms and accommodation revenue.

<sup>(5)</sup> Billed rooms represents total billed days for owned assets for the periods presented.

Our Canadian segment reported revenues in the third quarter of 2022 that were \$19.0 million, or 23%, higher than the third quarter of 2021. The weakening of the average exchange rate for the Canadian dollar relative to the U.S. dollar by 3% in the third quarter of 2022 compared to the third quarter of 2021 resulted in a \$3.7 million period-over-period decrease in revenues. Excluding the impact of the weaker Canadian exchange rate, the increase was driven by (i) higher billed rooms at our lodges related to turnaround activities by a number of customers, (ii) a higher average daily rate at our lodges largely due to occupancy mix and (iii) increased mobile asset activity from pipeline projects.

Our Canadian segment cost of sales and services increased \$13.7 million, or 23%, in the third quarter of 2022 compared to the third quarter of 2021. The weakening of the average exchange rate for the Canadian dollar relative to the U.S. dollar by 3% in the third quarter of 2022 compared to the third quarter of 2021 resulted in a \$2.6 million period-over-period decrease in cost of sales and services. Excluding the impact of the weaker Canadian exchange rate, the increase in cost of sales and services was driven by increased occupancy at our lodges and by increased mobile asset activity from pipeline projects.

Our Canadian segment gross margin as a percentage of revenues was largely unchanged, decreasing from 29.6% in the third quarter of 2021 to 29.3% in the third quarter of 2022.

**Segment Results of Operations – Australian Segment**

	Three Months Ended September 30,		
	2022	2021	Change
<b>Revenues (\$ in thousands)</b>			
Accommodation revenue <sup>(1)</sup>	\$ 38,316	\$ 38,104	\$ 212
Food service and other services revenue <sup>(2)</sup>	35,489	27,014	8,475
Total revenues	\$ 73,805	\$ 65,118	\$ 8,687
<b>Cost of sales and services (\$ in thousands)</b>			
Accommodation cost	\$ 17,818	\$ 18,351	\$ (533)
Food service and other services cost	33,465	26,007	7,458
Indirect other cost	2,050	2,016	34
Total cost of sales and services	\$ 53,333	\$ 46,374	\$ 6,959
Gross margin as a % of revenues	27.7 %	28.8 %	(1.0)%
Average daily rate for villages <sup>(3)</sup>	\$ 73	\$ 78	\$ (5)
Total billed rooms for villages <sup>(4)</sup>	525,359	491,218	34,141
Australian dollar to U.S. dollar	\$ 0.683	\$ 0.735	\$ (0.052)

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

Our Australian segment reported revenues in the third quarter of 2022 that were \$8.7 million, or 13%, higher than the third quarter of 2021. The weakening of the average exchange rate for Australian dollars relative to the U.S. dollar by 7% in the third quarter of 2022 compared to the third quarter of 2021 resulted in a \$5.5 million period-over-period decrease in revenues. On a constant currency basis, the Australian segment experienced a 22% period-over-period increase in revenues. Excluding the impact of the weaker Australian exchange rate, the increase in the Australian segment was driven by increased activity at our Civeo owned villages in the Bowen and Gunnedah Basins and our integrated services sites in Western Australia.

Our Australian segment cost of sales and services increased \$7.0 million, or 15%, in the third quarter of 2022 compared to the third quarter of 2021. The weakening of the average exchange rate for Australian dollars relative to the U.S. dollar by 7% in the third quarter of 2022 compared to the third quarter of 2021 resulted in a \$4.0 million period-over-period decrease in cost of sales and services. Excluding the impact of the weaker Australian exchange rate, the increase in cost of sales and services was largely driven by increased activity at our Civeo owned villages in the Bowen and Gunnedah Basins and our integrated services sites in Western Australia.

Our Australian segment gross margin as a percentage of revenues decreased to 27.7% in the third quarter of 2022 from 28.8% in the third quarter of 2021. This was primarily driven by a higher proportion of revenue from our integrated services business, which has a service-only business model and therefore generates lower overall gross margins than our accommodation business.

**Segment Results of Operations – U.S. Segment**

	Three Months Ended September 30,		
	2022	2021	Change
Revenues (\$ in thousands)	\$ 7,413	\$ 5,888	\$ 1,525
Cost of sales and services (\$ in thousands)	\$ 7,285	\$ 5,842	\$ 1,443
Gross margin as a % of revenues	1.7 %	0.8 %	0.9 %

Our U.S. segment reported revenues in the third quarter of 2022 that were \$1.5 million, or 26%, higher than the third quarter of 2021. This increase was due to greater U.S. drilling activity positively impacting our wellsite business in July and August, partially offset by reduced revenue due to the sale of this business on September 1, 2022. In addition, the offshore business had increased activity from completed projects and unit sales in the third quarter of 2022 that did not occur to the same extent in the third quarter of 2021. These increases were partially offset by the reduced revenue from our former West Permian Lodge, which operated in the third quarter of 2021 and was sold in the fourth quarter of 2021.

Our U.S. segment cost of sales and services increased \$1.4 million, or 25%, in the third quarter of 2022 compared to the third quarter of 2021. This increase was due to greater U.S. drilling activity impacting our wellsite business in July and August.

Our U.S. segment gross margin as a percentage of revenues increased from 0.8% in the third quarter of 2021 to 1.7% in the third quarter of 2022 primarily due to improved margins in our wellsite business due to operating efficiencies at higher activity levels and increased margins from product sales in our offshore business. These were partially offset by our former West Permian Lodge, which generated a 79% gross margin as a percentage of revenues in the third quarter of 2021 and was sold in the fourth quarter of 2021.

**Results of Operations – Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021**

	Nine Months Ended September 30,		
	2022	2021	Change
(\$ in thousands)			
<b>Revenues</b>			
Canada	\$ 307,984	\$ 229,223	\$ 78,761
Australia	205,154	188,774	16,380
U.S. and other	21,721	16,672	5,049
<b>Total revenues</b>	<b>534,859</b>	<b>434,669</b>	<b>100,190</b>
<b>Costs and expenses</b>			
<b>Cost of sales and services</b>			
Canada	223,093	168,441	54,652
Australia	145,539	134,172	11,367
U.S. and other	20,760	16,629	4,131
<b>Total cost of sales and services</b>	<b>389,392</b>	<b>319,242</b>	<b>70,150</b>
Selling, general and administrative expenses	50,572	46,204	4,368
Depreciation and amortization expense	65,818	62,928	2,890
Impairment expense	—	7,935	(7,935)
Other operating (income) expense	(187)	122	(309)
<b>Total costs and expenses</b>	<b>505,595</b>	<b>436,431</b>	<b>69,164</b>
<b>Operating income (loss)</b>	<b>29,264</b>	<b>(1,762)</b>	<b>31,026</b>
Interest expense, net	(8,062)	(10,343)	2,281
Other income	4,290	6,066	(1,776)
<b>Income (loss) before income taxes</b>	<b>25,492</b>	<b>(6,039)</b>	<b>31,531</b>
Income tax expense	(7,091)	(2,354)	(4,737)
<b>Net income (loss)</b>	<b>18,401</b>	<b>(8,393)</b>	<b>26,794</b>
Less: Net income attributable to noncontrolling interest	1,706	534	1,172
<b>Net income (loss) attributable to Civeo Corporation</b>	<b>16,695</b>	<b>(8,927)</b>	<b>25,622</b>
Less: Dividends attributable to preferred shares	1,469	1,440	29
<b>Net income (loss) attributable to Civeo common shareholders</b>	<b>\$ 15,226</b>	<b>\$ (10,367)</b>	<b>\$ 25,593</b>

We reported net income attributable to Civeo for the nine months ended September 30, 2022 of \$15.2 million, or \$0.91 per diluted share compared to net loss attributable to Civeo for the nine months ended September 30, 2021 of \$10.4 million, or \$0.73 per diluted share. As further discussed below, net loss for the nine months ended September 30, 2021 included a \$7.9 million pre-tax loss resulting from the impairment of fixed assets included in Impairment expense.

**Revenues.** Consolidated revenues increased \$100.2 million, or 23%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This increase was primarily driven by (i) higher billed rooms at our Canadian lodges as occupancy in the first nine months of 2021 was negatively impacted by the COVID-19 pandemic, (ii) higher average daily rate at our Canadian lodges largely due to occupancy mix, (iii) increased mobile asset activity from pipeline projects in Canada, (iv) increased activity at our Australian Civeo owned villages in the Bowen and Gunnedah Basins and (v) increased activity at our integrated services villages in Western Australia. These items were partially offset by a weaker Australian and Canadian dollar relative to the U.S. dollar in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. See the discussion of segment results of operations below for further information.

**Cost of Sales and Services.** Our consolidated cost of sales and services increased \$70.2 million, or 22%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This increase was primarily due to (i) higher billed rooms at our Canadian lodges, (ii) increased mobile asset activity from pipeline projects in Canada, (iii) increased activity at our Australian Civeo owned villages in the Bowen and Gunnedah Basins and (iv) increased activity at our integrated services villages in Western Australia. These items were partially offset by a weaker Australian and Canadian dollar relative to the U.S. dollar in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. See the discussion of segment results of operations below for further information.

**Selling, General and Administrative Expenses.** SG&A expense increased \$4.4 million, or 9%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This increase was primarily due to higher share-based compensation expense, travel and entertainment expense and information technology expense. The increase in share-based compensation expense was due to a relative increase in our stock price during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase in information technology expense was related to set-up costs incurred in a cloud computing arrangement for our newly implemented human capital management system, which are being amortized through SG&A expense instead of depreciation and amortization expense. The increase in travel and entertainment expenses was largely a result of a return to more normalized travel expenses with the lifting of travel restrictions associated with COVID-19.

**Depreciation and Amortization Expense.** Depreciation and amortization expense increased \$2.9 million, or 5%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily due to shortening the lives on certain assets in Canada, partially offset by assets in Canada becoming fully depreciated during 2021 and the disposal of our West Permian Lodge in the U.S. during 2021.

**Impairment Expense.** We recorded pre-tax impairment expense of \$7.9 million in the nine months ended September 30, 2021 associated with long-lived assets in our Australian reporting unit.

See Note 3 - Impairment Charges to the notes to the unaudited consolidated financial statements included in Item 1 of this quarterly report for further discussion.

**Operating Income (Loss).** Consolidated operating income increased \$31.0 million, or 1,761%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, primarily due to higher activity levels in Canada and Australia in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 and lower impairment expense in Australia in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

**Interest Expense, net.** Net interest expense decreased by \$2.3 million, or 22%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, primarily related to lower average debt levels on credit facility borrowings during 2022 compared to 2021.

**Other Income.** Consolidated other income decreased \$1.8 million in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The nine months ended September 30, 2022 included gains on the sale of assets primarily related to our Kambalda village and undeveloped land holdings in Australia, our wellsite business in the U.S. and various mobile assets across Canada, Australia and the U.S. The nine months ended September 30, 2021 included \$3.5 million related to proceeds from the Canada Emergency Wage Subsidy (CEWS) and a lower gain on the sale of assets primarily related to the sale of a manufacturing facility and mobile assets in Canada.

**Income Tax (Expense) Benefit.** Our income tax expense for the nine months ended September 30, 2022 totaled \$7.1 million, or 27.8% of pretax income, compared to an income tax expense of \$2.4 million, or (39.0)% of pretax loss, for the nine months ended September 30, 2021. Our effective tax rate for the nine months ended September 30, 2022 was impacted by considering the U.S. a loss jurisdiction that was removed from the annual effective tax rate computation for the purposes of computing the interim tax provision. Our effective tax rate for the nine months ended September 30, 2021 was impacted by considering Canada and the U.S. loss jurisdictions that were removed from the annual effective tax rate computation for the purposes of computing the interim tax provision.

**Other Comprehensive (Loss) Income.** Other comprehensive loss increased \$17.3 million in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, primarily as a result of foreign currency translation adjustments due to changes in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar exchange rate compared to the U.S. dollar decreased 8% in the nine months ended September 30, 2022 and was flat in the nine months ended September 30, 2021. The Australian dollar exchange rate compared to the U.S. dollar decreased 11% in the nine months ended September 30, 2022 compared to a 7% decrease in the nine months ended September 30, 2021.

**Segment Results of Operations – Canadian Segment**

	Nine Months Ended September 30,		
	2022	2021	Change
<b>Revenues (\$ in thousands)</b>			
Accommodation revenue <sup>(1)</sup>	\$ 219,349	\$ 176,800	\$ 42,549
Mobile facility rental revenue <sup>(2)</sup>	73,359	38,240	35,119
Food service and other services revenue <sup>(3)</sup>	15,276	14,183	1,093
Total revenues	\$ 307,984	\$ 229,223	\$ 78,761
<b>Cost of sales and services (\$ in thousands)</b>			
Accommodation cost	\$ 156,543	\$ 124,798	\$ 31,745
Mobile facility rental cost	44,939	23,562	21,377
Food service and other services cost	13,782	12,583	1,199
Indirect other costs	7,829	7,498	331
Total cost of sales and services	\$ 223,093	\$ 168,441	\$ 54,652
Gross margin as a % of revenues	27.6 %	26.5 %	1.0 %
Average daily rate for lodges <sup>(4)</sup>	\$ 102	\$ 97	\$ 5
Total billed rooms for lodges <sup>(5)</sup>	2,137,530	1,816,407	321,123
Average Canadian dollar to U.S. dollar	\$ 0.779	\$ 0.799	\$ (0.020)

<sup>(1)</sup> Includes revenues related to lodge rooms and hospitality services for owned rooms for the periods presented.

<sup>(2)</sup> Includes revenues related to mobile assets for the periods presented.

<sup>(3)</sup> Includes revenues related to food services, laundry and water and wastewater treatment services for the periods presented.

<sup>(4)</sup> Average daily rate is based on billed rooms and accommodation revenue.

<sup>(5)</sup> Billed rooms represents total billed days for owned assets for the periods presented.

Our Canadian segment reported revenues in the nine months ended September 30, 2022 that were \$78.8 million, or 34%, higher than the nine months ended September 30, 2021. The weakening of the average exchange rate for the Canadian dollar relative to the U.S. dollar by 3% in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 resulted in a \$8.2 million period-over-period decrease in revenues. Excluding the impact of the weaker Canadian exchange rate, the increase was driven by (i) higher billed rooms at our lodges as occupancy in the first nine month of 2021 was negatively impacted by the COVID-19 pandemic, (ii) a higher average daily rate at our lodges largely due to occupancy mix and (iii) increased mobile asset activity from pipeline projects.

Our Canadian segment cost of sales and services increased \$54.7 million, or 32%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The weakening of the average exchange rate for the Canadian dollar relative to the U.S. dollar by 3% in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 resulted in a \$5.6 million period-over-period decrease in cost of sales and services. Excluding the impact of the weaker Canadian exchange rate, the increase in cost of sales and services was driven by increased occupancy at our lodges and increased mobile asset activity from pipeline projects.

Our Canadian segment gross margin as a percentage of revenues increased from 26.5% in the nine months ended September 30, 2021 to 27.6% in the nine months ended September 30, 2022. This was primarily driven by an increased relative contribution from mobile asset activity which generates higher gross margin.

**Segment Results of Operations – Australian Segment**

	Nine Months Ended September 30,		
	2022	2021	Change
<b>Revenues (\$ in thousands)</b>			
Accommodation revenue <sup>(1)</sup>	\$ 114,967	\$ 109,559	\$ 5,408
Food service and other services revenue <sup>(2)</sup>	90,187	79,215	10,972
Total revenues	\$ 205,154	\$ 188,774	\$ 16,380
<b>Cost of sales and services (\$ in thousands)</b>			
Accommodation cost	\$ 55,065	\$ 53,538	\$ 1,527
Food service and other services cost	84,836	75,458	9,378
Indirect other cost	5,638	5,176	462
Total cost of sales and services	\$ 145,539	\$ 134,172	\$ 11,367
Gross margin as a % of revenues	29.1 %	28.9 %	0.1 %
Average daily rate for villages <sup>(3)</sup>	\$ 76	\$ 79	\$ (3)
Total billed rooms for villages <sup>(4)</sup>	1,505,143	1,382,182	122,961
Australian dollar to U.S. dollar	\$ 0.707	\$ 0.759	\$ (0.052)

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

Our Australian segment reported revenues in the nine months ended September 30, 2022 that were \$16.4 million, or 9%, higher than the nine months ended September 30, 2021. The weakening of the average exchange rate for Australian dollars relative to the U.S. dollar by 7% in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 resulted in a \$15.1 million period-over-period decrease in revenues. Excluding the impact of the weaker Australian exchange rate, the increase in the Australian segment was driven by increased activity at our Civeo owned villages in the Bowen and Gunnedah Basins and our integrated services villages in Western Australia.

Our Australian segment cost of sales and services increased \$11.4 million, or 8%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The weakening of the average exchange rate for Australian dollars relative to the U.S. dollar by 7% in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 resulted in a \$10.7 million period-over-period decrease in cost of sales and services. Excluding the impact of the weaker Australian exchange rate, the increase in cost of sales and services was largely driven by increased activity at our Civeo owned villages in the Bowen and Gunnedah Basins and our integrated services villages in Western Australia.

Our Australian segment gross margin as a percentage of revenues increased to 29.1% in the nine months ended September 30, 2022 from 28.9% in the nine months ended September 30, 2021. This was primarily driven by improved margins at Civeo owned villages in the Bowen and Gunnedah Basins as a result of increased activity, partially offset by increased relative revenue contribution from our integrated services business, which has a service-only business model, and therefore generates lower overall gross margins than our accommodation business.

### Segment Results of Operations – U.S. Segment

	Nine Months Ended September 30,		
	2022	2021	Change
Revenues (\$ in thousands)	\$ 21,721	\$ 16,672	\$ 5,049
Cost of sales and services (\$ in thousands)	\$ 20,760	\$ 16,629	\$ 4,131
Gross margin as a % of revenues	4.4 %	0.3 %	4.2 %

Our U.S. segment reported revenues in the nine months ended September 30, 2022 that were \$5.0 million, or 30%, higher than the nine months ended September 30, 2021. This increase was due to greater U.S. drilling activity positively impacting our wellsite business that was sold on September 1, 2022, partially offset by reduced revenue from our former West Permian Lodge, which operated in the first nine months of 2021 and was sold in the fourth quarter of 2021.

Our U.S. segment cost of sales and services increased \$4.1 million, or 25%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This increase was due to greater U.S. drilling activity impacting our wellsite business that was sold on September 1, 2022, partially offset by reduced costs from our former West Permian Lodge, which operated in the first nine months of 2021 and was sold in the fourth quarter of 2021.

Our U.S. segment gross margin as a percentage of revenues increased 4.2% from the nine months ended September 30, 2021 to the nine months ended September 30, 2022 primarily due to improved margins in our wellsite business due to operating efficiencies at higher activity levels, partially offset by our former West Permian Lodge, which operated in the first nine months of 2021 and was sold in the fourth quarter of 2021.

### Liquidity and Capital Resources

Our primary liquidity needs are to fund capital expenditures, which in the past have included expanding and improving our hospitality services, developing new lodges and villages, purchasing or leasing land, and for general working capital needs. In addition, capital has been used to repay debt, repurchase our common shares and fund strategic business acquisitions. In the future, capital may be required to move lodges from one site to another. Historically, our primary sources of funds have been available cash, cash flow from operations, borrowings under our Credit Agreement and proceeds from equity issuances. In the future, we may seek to access the debt and equity capital markets from time to time to raise additional capital, increase liquidity, fund acquisitions, refinance debt or retire preferred shares.

The following table summarizes our consolidated liquidity position as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Lender commitments	\$ 200,000	\$ 200,000
Borrowings against revolving credit capacity	(89,736)	(112,026)
Outstanding letters of credit	(1,352)	(1,439)
Unused availability	108,912	86,535
Cash and cash equivalents	8,361	6,282
Total available liquidity	\$ 117,273	\$ 92,817

Cash totaling \$62.4 million was provided by operations during the nine months ended September 30, 2022, compared to \$63.2 million provided by operations during the nine months ended September 30, 2021. During the nine months ended September 30, 2022 and 2021, \$29.9 million and \$5.0 million was used in working capital, respectively. The increase in cash used in working capital in 2022 compared to 2021 is largely due to the timing of customer payments and revenue recognition as it relates to mobile asset activity in Canada during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

Cash was used in investing activities during the nine months ended September 30, 2022 in the amount of \$5.3 million, compared to cash used in investing activities during the nine months ended September 30, 2021 in the amount of \$2.1 million. The increase in cash used in investing activities was primarily due to higher capital expenditures. Capital expenditures totaled

\$17.5 million and \$9.6 million during the nine months ended September 30, 2022 and 2021, respectively. Capital expenditures in both periods were primarily maintenance related. Offsetting these capital expenditures, we received proceeds from the sale of property, plant and equipment of \$12.0 million during the nine months ended September 30, 2022 primarily related to the sale of our Kambalda village and undeveloped land holdings in Australia, unused corporate office space and various mobile assets in Canada and our wellsite business in the U.S., compared to \$7.5 million during the nine months ended September 30, 2021 primarily related to the sale of our manufacturing facility and mobile assets in Canada.

We expect our capital expenditures for 2022 to be in the range of \$24 million to \$29 million, which excludes any unannounced and uncommitted projects, the spending for which is contingent on obtaining customer contracts or commitments. Our 2022 capital expenditures estimate includes the capital expenditures associated with our recently announced 12-year contract renewal for our Wapasu Lodge in the Canadian oil sands. Whether planned expenditures will actually be spent in 2022 depends on industry conditions, project approvals and schedules, customer room commitments and project and construction timing. We expect to fund these capital expenditures with available cash, cash flow from operations and revolving credit borrowings under our Credit Agreement. The foregoing capital expenditure forecast does not include any funds for strategic acquisitions, which we could pursue should the transaction economics be attractive enough to us compared to the current capital allocation priorities of debt reduction and return of capital to shareholders. We continue to monitor the global economy, commodity prices, demand for crude oil, met coal, LNG and iron ore, inflation, the COVID-19 global pandemic and the responses thereto and the resultant impact on the capital spending plans of our customers in order to plan our business activities, and we may adjust our capital expenditure plans in the future.

Net cash of \$53.1 million was used in financing activities during the nine months ended September 30, 2022 primarily due to net repayments under our revolving credit facilities of \$14.8 million, term loan repayments of \$23.1 million, repurchases of our common shares of \$14.2 million and payments to settle tax obligations on vested shares under our share-based compensation plans of \$1.0 million. Net cash of \$61.1 million was used in financing activities during the nine months ended September 30, 2021 primarily due to repayments of term loan borrowings of \$117.6 million, payments to settle tax obligations on vested shares under our share-based compensation plans of \$1.1 million, debt issuance costs of \$4.4 million and repurchases of our common shares of \$0.4 million, partially offset by net borrowings under our revolving credit facilities of \$62.5 million.

The following table summarizes the changes in debt outstanding during the nine months ended September 30, 2022 (in thousands):

Balance at December 31, 2021	\$	175,130
Borrowings under revolving credit facilities		204,951
Repayments of borrowings under revolving credit facilities		(219,775)
Repayments of term loans		(23,059)
Translation		(11,031)
Balance at September 30, 2022	\$	<u>126,216</u>

We believe that cash on hand and cash flow from operations will be sufficient to meet our anticipated liquidity needs for the next 12 months. If our plans or assumptions change, including as a result of the impact of COVID-19 or changes in price of and demand for oil, or are inaccurate, or if we make acquisitions, we may need to raise additional capital. Acquisitions have been, and our management believes acquisitions will continue to be, an element of our long-term business strategy. The timing, size or success of any acquisition effort and the associated potential capital commitments are unpredictable and uncertain. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances or may issue equity directly to the sellers. Our ability to obtain capital for additional projects to implement our growth strategy over the longer term will depend on our future operating performance, financial condition and, more broadly, on the availability of equity and debt financing. Capital availability will be affected by prevailing conditions in our industry, the global economy, the global financial markets and other factors, many of which are beyond our control. In addition, any additional debt service requirements we take on could be based on higher interest rates and shorter maturities and could impose a significant burden on our results of operations and financial condition, and the issuance of additional equity securities could result in significant dilution to shareholders.

In August 2022, our Board authorized a common share repurchase program to repurchase up to 5.0% of our total common shares which are issued and outstanding, or 685,614 common shares, over a twelve month period. See Note 12 – Share Repurchases to the notes to the unaudited consolidated financial statements included in Item 1 of this quarterly report for further discussion.

### **Credit Agreement**

As of September 30, 2022, our Credit Agreement (as then amended to date, the Credit Agreement) provided for: (i) a \$200.0 million revolving credit facility scheduled to mature on September 8, 2025, allocated as follows: (A) a \$10.0 million senior secured revolving credit facility in favor of one of our U.S. subsidiaries, as borrower; (B) a \$155.0 million senior secured revolving credit facility in favor of Civeo, as borrower; and (C) a \$35.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower; and (ii) a C\$100.0 million term loan facility scheduled to be fully repaid on December 31, 2023 in favor of Civeo.

As of September 30, 2022, we had outstanding letters of credit of \$0.3 million under the U.S. facility, zero under the Australian facility and \$1.1 million under the Canadian facility. We also had outstanding bank guarantees of A\$0.8 million under the Australian facility.

See Note 8 – Debt to the notes to the unaudited consolidated financial statements included in Item 1 of this quarterly report for further discussion.

### **Dividends**

The declaration and amount of all potential future dividends will be at the discretion of our Board and will depend upon many factors, including our financial condition, results of operations, cash flows, prospects, industry conditions, capital requirements of our business, covenants associated with certain debt obligations, legal requirements, regulatory constraints, industry practice and other factors the Board deems relevant. In addition, our ability to pay cash dividends on common or preferred shares is limited by covenants in the Credit Agreement. Future agreements may also limit our ability to pay dividends, and we may incur incremental taxes if we are required to repatriate foreign earnings to pay such dividends. If we elect to pay dividends in the future, the amount per share of our dividend payments may be changed, or dividends may be suspended, without advance notice. The likelihood that dividends will be reduced or suspended is increased during periods of market weakness. There can be no assurance that we will pay a dividend in the future.

The preferred shares we issued in the Noralta acquisition are entitled to receive a 2% annual dividend on the liquidation preference (initially \$10,000 per share), paid quarterly in cash or, at our option, by increasing the preferred shares' liquidation preference, or any combination thereof. Quarterly dividends were paid in-kind on September 30, 2022, thereby increasing the liquidation preference to \$10,939 per share as of September 30, 2022. We currently expect to pay dividends on the preferred shares through an increase in liquidation preference rather than cash until they mandatorily convert to Civeo common shares in April 2023.

### **Critical Accounting Policies**

For a discussion of the critical accounting policies and estimates that we use in the preparation of our consolidated financial statements, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2021. These estimates require significant judgments, assumptions and estimates. We have discussed the development, selection and disclosure of these critical accounting policies and estimates with the audit committee of our Board of Directors. There have been no material changes to the judgments, assumptions and estimates upon which our critical accounting estimates are based.

### **ITEM 3. *Quantitative and Qualitative Disclosures about Market Risk***

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

#### **Interest Rate Risk**

We have credit facilities that are subject to the risk of higher interest charges associated with increases in interest rates. As of September 30, 2022, we had \$126.2 million of outstanding floating-rate obligations under our credit facilities. These floating-rate obligations expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If floating interest rates increased by 100 basis points, our consolidated interest expense would increase by approximately \$1.3 million annually, based on our floating-rate debt obligations and interest rates in effect as of September 30, 2022.

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

Our operations are conducted in various countries around the world, and we receive revenue and pay expenses from these operations in a number of different currencies. As such, our earnings are subject to movements in foreign currency exchange rates when transactions are denominated in (i) currencies other than the U.S. dollar, which is our reporting currency, or (ii) the functional currency of our subsidiaries, which is not necessarily the U.S. dollar. Excluding intercompany balances, our Canadian dollar and Australian dollar functional currency net assets total approximately C\$232 million and A\$232 million, respectively, at September 30, 2022. We use a sensitivity analysis model to measure the impact of a 10% adverse movement of foreign currency exchange rates against the United States dollar. A hypothetical 10% adverse change in the value of the Canadian dollar and Australian dollar relative to the U.S. dollar as of September 30, 2022 would result in translation adjustments of approximately \$23 million and \$23 million, respectively, recorded in other comprehensive loss. Although we do not currently have any foreign exchange agreements outstanding, in order to reduce our exposure to fluctuations in currency exchange rates, we may enter into foreign exchange agreements with financial institutions in the future.

### **ITEM 4. *Controls and Procedures***

#### **Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2022, at the reasonable assurance level.

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

During the three months ended September 30, 2022, 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, you should carefully read the section entitled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2021.

### ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The following table provides information about purchases of our common shares during the three months ended September 30, 2022.

	Total Number of Shares Purchased	Average Price Paid per Share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
July 1, 2022 - July 31, 2022	—	—	—	475,724
August 1, 2022 - August 31, 2022	475,724 (1) (3)	\$ 28.72	100,971	374,753
September 1, 2022 - September 30, 2022	—	—	—	685,614 (3)
Total	475,724	\$ 28.72	100,971	685,614

(1) In August 2021, our Board authorized a common share repurchase program (the 2021 Share Repurchase Program) to repurchase up to 5.0% of our total common shares which are issued and outstanding, or 715,814 common shares, over a twelve month period. We repurchased an aggregate of 100,971 of our common shares outstanding for approximately \$3.0 million during the three months ended September 30, 2022 under the 2021 Share Repurchase Program.

(2) In August 2022, our Board authorized a new common share repurchase program (the 2022 Share Repurchase Program and, together with the 2021 Share Repurchase Program, the "Share Repurchase Programs") to repurchase up to 5.0% of our total common shares which are issued and outstanding, or 685,614 common shares, over a twelve month period. We have not repurchased any shares under the 2022 Share Repurchase Program as of September 30, 2022.

(3) In addition to the Share Repurchase Programs, we repurchased 374,753 common shares from a shareholder for approximately \$10.7 million during the three months ended September 30, 2022.

**ITEM 6. Exhibits**

## (a) INDEX OF EXHIBITS

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
10.1*	<a href="#"><u>Retention Commitment Agreement, dated as of July 26, 2022, between Civeo Corporation and Allan D. Schoening (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-36246) filed on August 1, 2022).</u></a>
31.1*	— <a href="#"><u>Certification of Chief Executive Officer of Civeo Corporation pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.</u></a>
31.2*	— <a href="#"><u>Certification of Chief Financial Officer of Civeo Corporation pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.</u></a>
32.1**	— <a href="#"><u>Certification of Chief Executive Officer of Civeo Corporation pursuant to Rules 13a-14(b) or 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.</u></a>
32.2**	— <a href="#"><u>Certification of Chief Financial Officer of Civeo Corporation pursuant to Rules 13a-14(b) or 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.</u></a>
101.INS*	— Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	— Inline XBRL Taxonomy Extension Schema Document
101.CAL*	— Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	— Inline Taxonomy Extension Definition Linkbase Document
101.LAB*	— Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	— Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	— Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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\* Filed herewith.

\*\* Furnished herewith.

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

**SIGNATURES**

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

CIVEO CORPORATION

Date: October 28, 2022

By /s/ Carolyn J. Stone

**Carolyn J. Stone**

**Senior Vice President, Chief Financial Officer and Treasurer (Duly  
Authorized Officer and Principal Financial Officer)**

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

I, Bradley J. Dodson, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Civeo Corporation (Registrant);
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4 The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- 5 The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
  - a all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 28, 2022

/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, Carolyn J. Stone, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Civeo Corporation (Registrant);
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4 The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- 5 The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
  - a all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 28, 2022

/s/ Carolyn J. Stone

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Carolyn J. Stone

Senior Vice President, Chief Financial Officer and Treasurer

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

In connection with the Quarterly Report on Form 10-Q of Civeo Corporation (the “Company”) for the quarterly period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bradley J. Dodson, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

/s/ Bradley J. Dodson

Name: Bradley J. Dodson

Date: October 28, 2022

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

In connection with the Quarterly Report on Form 10-Q of Civeo Corporation (the "Company") for the quarterly period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carolyn J. Stone, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

/s/ Carolyn J. Stone

Name: Carolyn J. Stone

Date: October 28, 2022