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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

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	98-1253716
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Three Allen Center, 333 Clay Street, Suite 4980, Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 510-2400
(Registrant’s telephone number, including area code)

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

YES [X] NO [ ]

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

YES [X] NO [ ]

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

Large Accelerated Filer [ ]   Accelerated Filer [X]

Non-Accelerated Filer [ ] (Do not check if a smaller reporting company)   Smaller Reporting Company [ ]

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

YES [ ] NO [X]

The Registrant had 108,098,786 common shares outstanding as of October 24, 2016.

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,	
	2016	2015	2016	2015
Revenues:				
Service and other	$ 97,792	$ 101,258	$ 290,307	$ 398,241
Product	6,446	5,286	16,002	22,437
	104,238	106,544	306,309	420,678
Costs and expenses:				
Service and other costs	61,534	63,732	181,510	240,581
Product costs	6,430	6,019	16,983	21,505
Selling, general and administrative expenses	13,644	16,691	42,056	51,796
Depreciation and amortization expense	33,721	36,172	100,444	121,159
Impairment expense	37,729	110,715	46,129	122,926
Other operating expense (income)	138	(3,945)	356	(5,188)
	153,196	229,384	387,478	552,779
Operating loss	(48,958)	(122,840)	(81,169)	(132,101)
Interest expense to third-parties, net of capitalized interest	(6,072)	(6,022)	(16,941)	(17,879)
Loss on extinguishment of debt	--	(1,474)	(302)	(1,474)
Interest income	26	160	140	1,969
Other income	1,338	261	1,058	1,825
Loss before income taxes	(53,666)	(129,915)	(97,214)	(147,660)
Income tax benefit	11,697	22,745	17,217	27,451
Net loss	(41,969)	(107,170)	(79,997)	(120,209)
Less: Net income attributable to noncontrolling interest	162	515	442	953
Net loss attributable to Civeo Corporation.	$ (42,131)	$ (107,685)	$ (80,439)	$ (121,162)
Per Share Data (see Note 6)				
Basic net loss per share attributable to Civeo Corporation common shareholders	$ (0.39)	$ (1.01)	$ (0.75)	$ (1.14)
Diluted net loss per share attributable to Civeo Corporation common shareholders.	$ (0.39)	$ (1.01)	$ (0.75)	$ (1.14)
Weighted average number of common shares outstanding:				
Basic	107,118	106,661	106,989	106,583
Diluted.	107,118	106,661	106,989	106,583

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, 2016	THREE MONTHS ENDED SEPTEMBER 30, 2015	NINE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2015
Net loss	$ (41,969)	$ (107,170)	$ (79,997)	$ (120,209)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of taxes of zero, zero, zero and $1.9 million, respectively	9,599	(79,262)	26,511	(171,985)
Total other comprehensive income (loss)	9,599	(79,262)	26,511	(171,985)
Comprehensive loss	(32,370)	(186,432)	(53,486)	(292,194)
Comprehensive income attributable to noncontrolling interest	(123)	(117)	(443)	(429)
Comprehensive loss attributable to Civeo Corporation.	$ (32,493)	$ (186,549)	$ (53,929)	$ (292,623)

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

CIVEO CORPORATION

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	SEPTEMBER 30, 2016 (Unaudited)	DECEMBER 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,530	$ 7,837
Accounts receivable, net	68,478	61,467
Inventories	3,564	5,631
Prepaid expenses	9,487	11,712
Other current assets	6,334	3,312
Total current assets	90,393	89,959
Property, plant and equipment, net	844,801	931,914
Other intangible assets, net	31,503	35,309
Other noncurrent assets	11,354	9,347
Total assets	$ 978,051	$ 1,066,529
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,755	$ 24,609
Accrued liabilities	16,161	14,834
Income taxes	56	1,104
Current portion of long-term debt	15,819	17,461
Deferred revenue	10,265	7,747
Other current liabilities	212	493
Total current liabilities	70,268	66,248
Long-term debt, less current maturities	358,045	379,416
Deferred income taxes	2,582	25,391
Other noncurrent liabilities	32,402	31,704
Total liabilities	463,297	502,759
Commitments and contingencies (Note 9)		
Shareholders' Equity:		
Common shares (no par value; 550,000,000 shares authorized, 108,167,067 shares and 107,470,861 shares issued, respectively, and 108,098,786 shares and 107,470,861 shares outstanding, respectively)	--	--
Additional paid-in capital	1,310,465	1,305,930
Accumulated deficit	(456,815)	(376,376)
Common shares held in treasury at cost, 68,281 and zero shares, respectively	(65)	--
Accumulated other comprehensive loss	(339,799)	(366,309)
Total Civeo Corporation shareholders' equity	513,786	563,245
Noncontrolling interest	968	525
Total shareholders' equity	514,754	563,770
Total liabilities and shareholders' equity	$ 978,051	$ 1,066,529

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

CIVEO CORPORATION

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

	Attributable to Civeo						
	Common Shares						
	Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Shareholders' Equity
Balance, December 31, 2014	**$ 1,067**	**$ 1,300,042**	**$ (244,617)**	**$ --**	**$ (198,491)**	**$ 2,108**	**$ 860,109**
Net income (loss)	--	--	(121,162)	--	--	953	(120,209)
Currency translation adjustment.	--	--	--	--	(171,461)	(524)	(171,985)
Dividends paid	--	--	--	--	--	(2,133)	(2,133)
Redomicile Transaction	(1,075)	929	--	146	--	--	--
Share-based compensation.	8	3,957	--	(146)	--	--	3,819
Balance, September 30, 2015	**$ --**	**$ 1,304,928**	**$ (365,779)**	**$ --**	**$ (369,952)**	**$ 404**	**$ 569,601**
Balance, December 31, 2015	**$ --**	**$ 1,305,930**	**$ (376,376)**	**$ --**	**$ (366,309)**	**$ 525**	**$ 563,770**
Net income (loss)	--	--	(80,439)	--	--	442	(79,997)
Currency translation adjustment.	--	--	--	--	26,510	1	26,511
Share-based compensation.	--	4,535	--	(65)	--	--	4,470
Balance, September 30, 2016	**$ --**	**$ 1,310,465**	**$ (456,815)**	**$ (65)**	**$ (339,799)**	**$ 968**	**$ 514,754**

CIVEO CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	NINE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2015
Cash flows from operating activities:		
Net loss	$ (79,997)	$ (120,209)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	100,444	121,159
Impairment charges	46,129	122,926
Inventory write-down	850	1,015
Loss on extinguishment of debt	302	1,474
Deferred income tax benefit	(25,239)	(34,200)
Non-cash compensation charge	4,535	3,467
(Gain) loss on disposal of assets	259	(800)
Provision (benefit) for loss on receivables, net of recoveries	(74)	1,081
Other, net	2,546	1,032
Changes in operating assets and liabilities:		
Accounts receivable	(2,920)	79,763
Inventories	1,484	5,556
Accounts payable and accrued liabilities	2,701	(5,094)
Taxes payable	4,832	1,652
Other current assets and liabilities, net	(7,062)	(3,889)
Net cash flows provided by operating activities	48,790	174,933
Cash flows from investing activities:		
Capital expenditures, including capitalized interest	(15,246)	(43,701)
Proceeds from disposition of property, plant and equipment	4,465	2,255
Other, net	(761)	--
Net cash flows used in investing activities	(11,542)	(41,446)
Cash flows from financing activities:		
Proceeds from issuance of common shares	--	500
Term loan borrowings	--	325,000
Term loan repayments	(37,107)	(725,000)
Revolving credit borrowings	230,323	244,480
Revolving credit repayments	(236,939)	(187,772)
Debt issuance costs	(2,037)	(4,555)
Net cash flows used in financing activities	(45,760)	(347,347)
Effect of exchange rate changes on cash	3,205	(36,819)
Net change in cash and cash equivalents	(5,307)	(250,679)
Cash and cash equivalents, beginning of period	7,837	263,314
Cash and cash equivalents, end of period	$ 2,530	$ 12,635

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of the Business

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

On May 30, 2014, Oil States International, Inc. (Oil States) spun-off its Accommodations Segment (Accommodations) into a standalone, publicly traded Delaware corporation (Civeo US). In accordance with the Separation and Distribution Agreement, the two companies were separated by Oil States distributing to its stockholders all 106,538,044 shares of common stock of Civeo US it held after the market closed on May 30, 2014 (the Spin-Off).

On July 17, 2015, we changed our place of incorporation, pursuant to which Civeo Corporation, a British Columbia, Canada limited company formerly named Civeo Canadian Holdings ULC (Civeo Canada), became the publicly traded parent company of the Civeo group of companies (the Redomicile Transaction). The Redomicile Transaction was effected pursuant to an Agreement and Plan of Merger, dated as of April 6, 2015, between Civeo US, Civeo US Merger Co, a Delaware corporation and wholly owned subsidiary of Civeo Canada (US Merger Co), and Civeo Canada. At the effective time of the merger, (i) US Merger Co was merged with Civeo US, with Civeo US surviving the merger as a wholly owned subsidiary of Civeo Canada, and (ii) each issued share of Civeo US common stock, other than those shares of Civeo US common stock held by Civeo US in treasury, was effectively transferred to Civeo Canada and converted into one common share, no par value, of Civeo Canada. An aggregate of approximately 107.5 million Civeo Canada common shares were issued at the effective time as merger consideration. The Civeo Canada common shares are listed on the NYSE under the symbol "CVEO," the same symbol under which the Civeo US common stock traded prior to the effective time.

Basis of Presentation

Unless otherwise stated or the context otherwise indicates, all references in these consolidated financial statements to "Civeo," "the Company," "us," "our" or "we" for the time periods prior to July 17, 2015 refer to Civeo US and its consolidated subsidiaries. For time periods after July 17, 2015, these terms refer to Civeo Canada and its consolidated subsidiaries.

The accompanying unaudited consolidated financial statements of Civeo have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (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 these rules and regulations. The unaudited financial statements included in this report reflect all the adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation of the results of operations for the interim periods covered and for the financial condition of the Company at the date of the interim balance sheet. Results for the interim periods are not necessarily indicative of results for the full year. Certain reclassifications have been made to the December 31, 2015 consolidated balance sheet to conform to current year presentation.

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

The financial statements included in this report should be read in conjunction with our audited financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2015.

2. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting” (ASU 2016-09). This new standard requires companies to recognize the income tax effects of awards in the income statement when the awards vest or are settled. ASU 2016-09 is effective for financial statements issued for reporting periods beginning after December 15, 2016 and interim periods within the reporting periods. We are currently evaluating the impact of this new standard on our consolidated financial statements.

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

In April 2015, the FASB issued ASU 2015-03 “Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs” (ASU 2015-03). ASU 2015-03 simplifies the presentation of debt issuance costs by requiring that such costs be presented as a deduction from the corresponding debt liability. Effective with our quarterly report on Form 10-Q for the quarter ended March 31, 2016, we have adopted the provisions of ASU 2015-03. At December 31, 2015, as a result of our adoption of ASU 2015-03, we reclassified $4.7 million of debt issuance costs to reduce our recognized debt liabilities from other current assets ($1.3 million) and other non-current assets ($3.4 million) on the accompanying unaudited consolidated balance sheet. A portion of our debt issuance costs relate to revolving lines of credit and will accordingly continue to be included in “Other current assets” or “Other non-current assets”.

In May 2014, the FASB issued ASU 2014-09 establishing Accounting Standards Codification (ASC) Topic 606, “Revenue from Contracts with Customers” (ASC 606). ASC 606 establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to be entitled to receive in exchange for those goods or services and requires significantly enhanced revenue disclosures. The standard is effective for annual reporting periods beginning after December 15, 2017. Accordingly, we plan to adopt this standard in the first quarter of 2018. ASC 606 allows either full retrospective or modified retrospective transition, and early adoption is not permitted. We continue to evaluate both the impact of this new standard on our consolidated financial statements and the transition method we will utilize for adoption.

3. FAIR VALUE MEASUREMENTS

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

As of September 30, 2016 and December 31, 2015, we believe the carrying value of our floating-rate debt outstanding under our term loans and revolving credit facilities approximates their fair values because their terms include short-term interest rates and exclude penalties for prepayment. We estimated the fair value of our floating-rate term loan and revolving credit facilities using significant other observable inputs, representative of a Level 2 fair value measurement, including terms and credit spreads for these loans.

During the first and third quarters of 2016 and the first, second and third quarters of 2015, we wrote down certain long-lived assets to their fair values. Our estimates of fair value required us to use significant unobservable inputs, representative of Level 3 fair value measurements, including numerous assumptions with respect to future circumstances that might directly impact each of the asset groups' operations in the future and are therefore uncertain. These assumptions with respect to future circumstances included future oil, coal and natural gas prices, anticipated spending by our customers, the cost of capital, and industry and/or local market conditions. During the third quarter of 2016, our estimates of fair value of certain undeveloped land positions in British Columbia were based on appraisals from third parties.

During the third quarter of 2015, we also wrote down our goodwill to its implied fair value (IFV). Our estimate of IFV required us to use significant unobservable inputs, representative of Level 3 fair value measurements, including numerous assumptions with respect to future circumstances, such as industry and/or local market conditions that might directly impact each of the reporting units' operations in the future, and are therefore uncertain.

4. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS

Additional information regarding selected balance sheet accounts at September 30, 2016 and December 31, 2015 is presented below (in thousands):

	September 30, 2016	December 31, 2015
Accounts receivable, net:		
Trade	$ 47,600	$ 44,650
Unbilled revenue	20,575	16,649
Other	1,059	1,289
Total accounts receivable	69,234	62,588
Allowance for doubtful accounts	(756)	(1,121)
Total accounts receivable, net	$ 68,478	$ 61,467

	September 30, 2016	December 31, 2015
Inventories:		
Finished goods and purchased products	$ 1,911	$ 1,854
Work in process	56	1,260
Raw materials	1,597	2,517
Total inventories	$ 3,564	$ 5,631

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

	Estimated Useful Life (in years)	September 30, 2016	December 31, 2015
Property, plant and equipment, net:			
Land		$ 43,085	$ 47,825
Accommodations assets	3 - 15	1,592,789	1,482,842
Buildings and leasehold improvements	3 - 20	28,434	29,099
Machinery and equipment	4 - 15	9,672	9,183
Office furniture and equipment	3 - 7	30,953	29,172
Vehicles	3 - 5	15,379	15,412
Construction in progress		34,376	52,558
Total property, plant and equipment		1,754,688	1,666,091
Accumulated depreciation		(909,887)	(734,177)
Total property, plant and equipment, net		$ 844,801	$ 931,914

	September 30, 2016	December 31, 2015
Accrued liabilities:		
Accrued compensation	$ 9,663	$ 11,726
Accrued taxes, other than income taxes	4,631	963
Accrued interest	18	12
Other	1,849	2,133
Total accrued liabilities	$ 16,161	$ 14,834

5. IMPAIRMENT CHARGES

2016 Impairment Charges

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

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

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

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

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

2015 Impairment Charges

The following summarizes pre-tax impairment charges recorded during the nine month period ended September 30, 2015 which are included in Impairment expense in our accompanying unaudited consolidated statements of operations (in thousands):

	Canada	Australia	U.S.	Total
Quarter ended March 31, 2015				
Long-lived assets	$ --	$ --	$ 2,738	$ 2,738
Quarter ended June 30, 2015				
Long-lived assets	--	9,473	--	9,473
Quarter ended September 30, 2015				
Goodwill	43,194	--	--	43,194
Long-lived assets	23,041	23,980	18,040	65,061
Intangible assets	--	--	2,460	2,460
Total	$ 66,235	$ 33,453	$ 23,238	$ 122,926

Quarter ended September 30, 2015. During the third quarter of 2015, we recorded impairment expense related to goodwill, long-lived assets and intangible assets.

Due to the sustained reduction of our share price throughout 2015, our market capitalization implied an enterprise value which was significantly less than the sum of the estimated fair values of our reporting units. As a result of our market capitalization at September 30, 2015, coupled with (1) the continued depression of worldwide oil prices, including the substantial declines experienced in the third quarter of 2015, and (2) continued weakness in the Canadian dollar in the third quarter of 2015, we determined that an indicator of a goodwill impairment was present as of September 30, 2015. Accordingly, as a result of then-current macroeconomic conditions, we performed an interim goodwill impairment test as of September 30, 2015, and we reduced the value of our goodwill in our Canadian reporting unit to zero. This resulted in an impairment charge in the third quarter of 2015 which totaled $43.2 million.

Furthermore, due to the goodwill impairment in our Canadian segment, we determined all asset groups within this segment had experienced a triggering event indicating that the carrying values might not be recoverable. Accordingly, we compared the carrying value of each asset group to estimates of the undiscounted cash flows for such asset group. Based on the assessment, carrying values of certain asset groups were determined to be unrecoverable, and we proceeded to compare the fair value of those asset groups to their respective carrying values. Accordingly, we recorded an impairment loss of $11.1 million related to long-lived assets in our Canadian segment. These fixed assets were written down to their fair value of $12.6 million.

Additionally, also due to the sustained reduction of our share price throughout 2015, we reviewed the long-lived assets in our U.S. and Australia reportable segments to determine if an indicator of impairment had occurred that would indicate that the carrying values of the asset groups in these segments might not be recoverable. We determined that certain asset groups within the U.S. and Australia segments had experienced an indicator of impairment, and thus compared the carrying value of the respective asset group to estimates of the undiscounted future cash flows for such asset group. Based on the assessment, the carrying values of three of our asset groups were determined to not be recoverable, and we proceeded to compare the fair value of the asset groups to their carrying value. Accordingly, we recorded an impairment loss of $20.5 million related to our U.S. segment. Of the $20.5 million impairment, $18.0 million reduced the value of our fixed assets and $2.5 million reduced the value of our amortizable intangible assets. These fixed assets were written down to their fair value of $9.5 million. In addition, we recorded an impairment loss of $24.0 million related to our Australian segment that reduced the value of our fixed assets. These fixed assets were written down to their fair value of $10.3 million.

Finally, during the third quarter of 2015, we identified assets in our Canadian segment that should have been impaired in the fourth quarter of 2014. We determined that the error was not material to our financial statements for the year ended December 31, 2014 and therefore corrected the error in the third quarter of 2015. This resulted in an additional impairment expense of $11.9 million.

Quarter ended June 30, 2015. During the second quarter of 2015, we recorded an impairment expense of $9.5 million, resulting from the impairment of fixed assets in a village located in Western Australia, due to the continued downturn in gold mining activity and lack of contract renewals. These fixed assets were written down to their fair value of $0.1 million. We assessed the carrying value of the asset group to determine if it continued to be recoverable based on estimated future cash flows. Based on the assessment, the carrying value was determined to not be recoverable.

Quarter ended March 31, 2015. During the first quarter of 2015, we made the decision to dispose of our manufacturing facility in Johnstown, Colorado. Accordingly, the facility met the criteria of held for sale, and its carrying value was adjusted downward to $8.7 million, which represents its estimated fair value less the cost to sell. Accordingly, we recorded a pre-tax impairment expense of $2.7 million and an additional $1.1 million write-down of our inventory. During the fourth quarter of 2015, we completed the sale of the facility.

6. EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Basic Loss per Share				
Net loss attributable to Civeo	$ (42,131)	$ (107,685)	$ (80,439)	$ (121,162)
Less: undistributed net income to participating securities	--	--	--	--
Net loss attributable to Civeo’s common shareholders - basic	$ (42,131)	$ (107,685)	$ (80,439)	$ (121,162)
Weighted average common shares outstanding - basic	107,118	106,661	106,989	106,583
Basic loss per share	$ (0.39)	$ (1.01)	$ (0.75)	$ (1.14)
Diluted Loss per Share				
Net loss attributable to Civeo’s common shareholders - basic	$ (42,131)	$ (107,685)	$ (80,439)	$ (121,162)
Less: undistributed net income to participating securities	--	--	--	--
Net loss attributable to Civeo’s common shareholders - diluted	$ (42,131)	$ (107,685)	$ (80,439)	$ (121,162)
Weighted average common shares outstanding - basic	107,118	106,661	106,989	106,583
Effect of dilutive securities	--	--	--	--
Weighted average common shares outstanding - diluted	107,118	106,661	106,989	106,583
Diluted loss per share	$ (0.39)	$ (1.01)	$ (0.75)	$ (1.14)

7. DEBT

As of September 30, 2016 and December 31, 2015, long-term debt consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
U.S. term loan, which matures on May 28, 2019; weighted average interest rate of 3.7% for the nine month period ended September 30, 2016	$ 24,375	$ 49,375
Canadian term loan, which matures on May 28, 2019; 1.25% of aggregate principal repayable per quarter beginning December 31, 2015; weighted average interest rate of 3.9% for the nine month period ended September 30, 2016	304,713	300,165
U.S. revolving credit facility, which matures on May 28, 2019, with available commitments up to $50.0 million; weighted average interest rate of 5.6% for the nine month period ended September 30, 2016	4,600	--
Canadian revolving credit facility, which matures on May 28, 2019, with available commitments up to $100.0 million; weighted average interest rate of 4.1% for the nine month period ended September 30, 2016	30,496	52,020
Canadian revolving credit facility, which matures on May 28, 2019, with available commitments up to $100.0 million; weighted average interest rate of 4.8% for the nine month period ended September 30, 2016	3,431	--
Australian revolving credit facility, which matures on May 28, 2019, with available commitments up to $100.0 million; weighted average interest rate of 5.3% for the nine month period ended September 30, 2016	10,731	--
	378,346	401,560
Less: Unamortized debt issuance costs	4,482	4,683
Total debt	373,864	396,877
Less: Current portion of long-term debt, including unamortized debt issuance costs, net	15,819	17,461
Long-term debt, less current maturities	$ 358,045	$ 379,416

Interest expense on the accompanying unaudited consolidated statements of operations is net of capitalized interest of zero and $0.5 million for the three month periods ended September 30, 2016 and 2015, respectively. Interest expense on the accompanying unaudited consolidated statements of income is net of capitalized interest of zero and $1.2 million for the nine months ended September 30, 2016 and 2015, respectively.

Amended Credit Facility

As of December 31, 2015, our revolving credit facility consisted of (i) a $375.0 million, 5-year revolving credit facility allocated as follows: (A) a $50.0 million senior secured revolving credit facility in favor of Civeo, as borrower, (B) a $100.0 million senior secured revolving credit facility in favor of certain of our Canadian subsidiaries, as borrowers, (C) a $125.0 million senior secured revolving credit facility in favor of certain of our Canadian subsidiaries, as borrowers, and (D) a $100.0 million senior secured revolving credit facility in favor of one of our Australian subsidiaries, as borrower, and (ii) a $375.0 million, 5-year term loan facility in favor of Civeo (collectively, the Amended Credit Facility).

On February 18, 2016, the second amendment to the Amended Credit Facility became effective, which provided for the following:

- Civeo Management LLC, an indirect wholly owned subsidiary of the Company, became a co-borrower under the US$50.0 million U.S. revolving credit facility under the Amended Credit Facility;

- The partial prepayment of the U.S. term loan under the Amended Credit Facility in the aggregate principal amount of US$25.0 million and the reduction by US$25.0 million of the aggregate revolving loan commitments under the Canadian revolving credit facility under the Amended Credit Facility to a maximum principal amount of US$100.0 million;

- (i) Increased the interest rate margin by 0.25% when the leverage ratio is less than 1.50x (by removing the lowest level in the leverage-based interest rate margin grid), (ii) established two additional levels to the total leverage-based grid such that the interest rates for the loans range from LIBOR +2.25% to LIBOR +5.00% and (iii) increased the undrawn commitment fee from a range of 0.45% to 0.90% to a range of 0.51% to 1.13% based on total leverage;

- Adjusted the maximum leverage ratio financial covenant, as follows:

Period Ended	Maximum Leverage Ratio
December 31, 2015	4.00 : 1.00
March 31, 2016	4.25 : 1.00
June 30, 2016	5.25 : 1.00
September 30, 2016	5.50 : 1.00
December 31, 2016	5.50 : 1.00
March 31, 2017	5.25 : 1.00
June 30, 2017	5.25 : 1.00
September 30, 2017	5.00 : 1.00
December 31, 2017	5.00 : 1.00
March 31, 2018	4.75 : 1.00
June 30, 2018	3.75 : 1.00
September 30, 2018 & thereafter	3.50 : 1.00

- Included a provision for a mandatory prepayment of the revolving credit facilities under the Amended Credit Facility in the event the Company and its subsidiaries hold an aggregate amount of cash exceeding US$40.0 million for a period of more than three consecutive business days, such mandatory prepayment to be made within two business days in an amount equal to the lesser of (a) an amount sufficient to reduce the aggregate amount of cash and permitted investments on hand at the Company and its subsidiaries to less than US$40.0 million or (b) an amount sufficient to repay all of the outstanding commitments under the revolving credit facilities under the Amended Credit Facility; and

- Other technical changes and amendments to the Amended Credit Facility.

As a result of the second amendment, we recognized a loss during the first quarter of 2016 of approximately $0.3 million related to unamortized debt issuance costs, which is included in "Loss on extinguishment of debt" on the accompanying unaudited consolidated statements of operations.

U.S. dollar amounts outstanding under the Amended Credit Facility bear interest at a variable rate equal to LIBOR plus a margin of 2.25% to 5.00%, or a base rate plus 1.25% to 4.00%, in each case based on a ratio of our total leverage to EBITDA (as defined in the Amended Credit Facility). Canadian dollar amounts outstanding under the Amended Credit Facility bear interest at a variable rate equal to CDOR plus a margin of 2.25% to 5.00%, or a base rate plus a margin of 1.25% to 4.00%, in each case based on a ratio of our consolidated total leverage to EBITDA (as defined in the Amended Credit Facility). Australian dollar amounts outstanding under the Amended Credit Facility bear interest at a variable rate equal to BBSY plus a margin of 2.25% to 5.00%, based on a ratio of our consolidated total leverage to EBITDA (as defined in the Amended Credit Facility).

The Amended Credit Facility contains customary affirmative and negative covenants that, among other things, limit or restrict (i) subsidiary indebtedness, liens and fundamental changes, (ii) asset sales, (iii) margin stock, (iv) specified acquisitions, (v) restrictive agreements, (vi) transactions with affiliates and (vii) investments and other restricted payments, including dividends and other distributions. Specifically, we must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA (as defined in the Amended Credit Facility) to consolidated interest expense, of at least 3.0 to 1.0 and our maximum leverage ratio, defined as the ratio of total debt to consolidated EBITDA, of no greater than 5.50 to 1.0 (as of September 30, 2016). As noted above, the permitted maximum leverage ratio changes over time. Each of the factors considered in the calculations of these ratios are defined in the Amended Credit Facility. EBITDA and consolidated interest, as defined, exclude goodwill and asset impairments, debt discount amortization and other non-cash charges. We were in compliance with these covenants as of September 30, 2016.

We have 15 lenders in our Amended Credit Facility with commitments ranging from $1.2 million to $135.7 million.

8. INCOME TAXES

The Company’s operations are conducted through its various subsidiaries in a number of countries throughout the world. The Company has provided for income taxes based upon the tax laws and rates in the countries in which operations are conducted and income is earned. For the three and nine months ended September 30, 2016, and portions of the three and nine months ended September 30, 2015, Civeo Canada is the public parent registered under the laws of British Columbia, Canada. Prior to the Company’s migration to Canada on July 17, 2015, Civeo US, a Delaware corporation, was the public parent registered in the U.S.

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

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

Our income tax benefit for the nine months ended September 30, 2016 totaled $17.2 million, or 17.7% of pretax loss, compared to a benefit of $27.5 million, or 18.6% of pretax loss, for the nine months ended September 30, 2015. As noted above, our effective tax rate in 2016 was lower than the Canadian statutory rate of 27% primarily due to the exclusion of Australia and U.S. for purposes of computing the interim tax provision.

For the nine months ended September 30, 2015, our income tax rate of 18.6% was lower than the Canadian statutory rate in part due to the exclusion of the U.S. for purposes of computing the interim tax provision. In addition, the rate was impacted by the following items: (i) an income tax expense of approximately $10 million related to unrecognized tax benefits; (ii) an income tax expense of approximately $12 million resulting from the impairment of goodwill not deductible for tax purposes; and (iii) an income tax expense of approximately $2.7 million related to an increase in statutory tax rates in Alberta, Canada included in our 2015 tax benefit. Finally, during the third quarter of 2015, management determined that, based on evidence available as of September 30, 2015, it was not more likely than not that the U.S. net operating loss would be realized. This evidence was largely comprised of the reversal of the U.S. jurisdiction from a net deferred tax liability as of December 31, 2014 to a net deferred tax asset as of September 30, 2015. Deferred tax assets generated in 2015 were realized to the extent of the net deferred tax liabilities as of December 31, 2014, resulting in a tax benefit of approximately $20 million. A valuation allowance was recorded discretely in the third quarter on the remaining deferred tax assets generated in 2015, with the result of no further tax benefit from the U.S. pretax losses.

Our income tax benefit for the three months ended September 30, 2016 totaled $11.7 million, or 21.8% of pretax loss, compared to a benefit of $22.7 million, or 17.5% of pretax loss, for the three months ended September 30, 2015. Our three month effective rates for 2016 and 2015 were lower than the Canadian statutory rates of 27% primarily due to the reasons identified above for the nine month periods.

9. COMMITMENTS AND CONTINGENCIES

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

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Our accumulated other comprehensive loss decreased $26.5 million from $366.3 million at December 31, 2015 to $339.8 million at September 30, 2016, as a result of foreign currency exchange rate fluctuations. Changes in other comprehensive loss during the first nine months of 2016 were primarily driven by the Australian dollar and Canadian dollar increasing in value compared to the U.S. dollar. Excluding intercompany balances, our Canadian dollar and Australian dollar functional currency net assets totaled approximately C$0.2 billion and A$0.5 billion, respectively, at September 30, 2016.

11. SHARE BASED COMPENSATION

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

Upon effectiveness of the Redomicile Transaction, Civeo Canada assumed the Civeo US employee equity plans and related award agreements, including all options and awards issued or granted under such plans, as well as certain Civeo US benefit plans and agreements.

Outstanding Awards

Options. Compensation expense associated with options recognized in the three month periods ended September 30, 2016 and 2015 totaled zero and $0.1 million, respectively. Compensation expense associated with options recognized in the nine month periods ended September 30, 2016 and 2015 totaled $0.1 million and $0.2 million, respectively. At September 30, 2016, unrecognized compensation cost related to options was $0.1 million, which is expected to be recognized over a weighted average period of 1.1 years.

Restricted Share / Deferred Share Awards. On February 23, 2016, we granted 231,934 restricted share and deferred share awards under the Civeo Plan, which vest in three equal annual installments beginning on February 23, 2017. On May 12, 2016, we granted 401,070 restricted share awards to our directors, which vest in their entirety on May 12, 2017.

Compensation expense associated with restricted share awards and deferred share awards recognized in the three month periods ended September 30, 2016 and 2015 totaled $1.0 million and $1.1 million, respectively. Compensation expense associated with restricted share awards and deferred share awards recognized in the nine month periods ended September 30, 2016 and 2015 totaled $3.0 million and $3.2 million, respectively. The total fair value of restricted share awards and deferred share awards that vested during each of the three months ended September 30, 2016 and 2015 was de minimis. The total fair value of restricted share awards and deferred share awards that vested during the nine months ended September 30, 2016 and 2015 was $0.6 million and $0.9 million, respectively.

At September 30, 2016, unrecognized compensation cost related to restricted share awards and deferred share awards was $5.4 million, which is expected to be recognized over a weighted average period of 1.8 years.

Phantom Share Awards. On February 23, 2016, we granted 2,917,130 phantom share awards under the Civeo Plan, which vest in three equal annual installments beginning on February 23, 2017. We also granted 3,099,194 phantom share awards under the Canadian Long-Term Incentive Plan, which vest in three equal annual installments beginning on February 23, 2017.

During both the three month periods ended September 30, 2016 and 2015, we recognized a de minims amount of compensation expense associated with phantom shares. During the nine month periods ended September 30, 2016 and 2015, we recognized compensation expense associated with phantom shares totaling $1.8 million and $0.8 million, respectively. At September 30, 2016, unrecognized compensation cost related to phantom shares was $6.0 million, as remeasured at September 30, 2016, which is expected to be recognized over a weighted average period of 2.3 years.

Performance Awards. On February 23, 2016, we granted 2,400,606 performance awards under the Civeo Plan, which cliff vest in three years on February 23, 2019. These awards will be earned in amounts between 0% and 200% of the participant's target performance share award, based on the payout percentage associated with Civeo's relative total shareholder return rank among a peer group of 12 other companies. Shareholder approval to grant these awards as equity awards to be settled in shares was obtained on May 12, 2016. Accordingly, the awards are being accounted for as equity awards, with a fair value of $3.18 calculated as of May 12, 2016.

During the three month periods ended September 30, 2016 and 2015, we recognized compensation expense associated with performance awards totaling $0.5 million and zero, respectively. During the nine month periods ended September 30, 2016 and 2015, we recognized compensation expense associated with performance awards totaling $1.4 million and zero, respectively. At September 30, 2016, unrecognized compensation cost related to performance shares was $4.9 million, which is expected to be recognized over a weighted average period of 2.6 years.

12. SEGMENT AND RELATED INFORMATION

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

Financial information by business segment for each of the three and nine months ended September 30, 2016 and 2015 is summarized in the following table (in thousands):

	Total Revenues	Less: Intersegment Revenues	Revenues from unaffiliated customers	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
Three months ended September 30, 2016							
Canada	$ 73,539	$ --	$ 73,539	$ 20,702	$ (44,742)	$ 1,085	$ 576,945
Australia	27,679	--	27,679	11,736	(1,918)	2,132	409,982
United States	3,020	--	3,020	1,274	(3,271)	--	31,926
Corporate and eliminations	--	--	--	9	973	2,136	(40,802)
Total	$ 104,238	$ --	$ 104,238	$ 33,721	$ (48,958)	$ 5,353	$ 978,051
Three months ended September 30, 2015							
Canada	$ 71,500	$ --	$ 71,500	$ 20,573	$ (70,909)	$ 13,390	$ 616,675
Australia	29,177	--	29,177	12,166	(25,995)	3,135	416,033
United States	5,867	--	5,867	3,296	(24,916)	918	84,111
Corporate and eliminations	--	--	--	137	(1,020)	2,156	982
Total	$ 106,544	$ --	$ 106,544	$ 36,172	$ (122,840)	$ 19,599	$ 1,117,801
Nine months ended September 30, 2016							
Canada	$ 216,168	$ --	$ 216,168	$ 62,494	$ (53,758)	$ 2,578	$ 576,945
Australia	80,694	--	80,694	34,348	(4,454)	3,833	409,982
United States	9,447	--	9,447	4,462	(20,662)	--	31,926
Corporate and eliminations	--	--	--	(860)	(2,295)	8,835	(40,802)
Total	$ 306,309	$ --	$ 306,309	$ 100,444	$ (81,169)	$ 15,246	$ 978,051
Nine months ended September 30, 2015							
Canada	$ 278,472	$ --	$ 278,472	$ 70,548	$ (62,609)	$ 28,956	$ 616,675
Australia	109,304	--	109,304	39,878	(24,150)	8,270	416,033
United States	35,298	(2,396)	32,902	10,370	(33,611)	2,164	84,111
Corporate and eliminations	(2,396)	2,396	--	363	(11,731)	4,311	982
Total	$ 420,678	$ --	$ 420,678	$ 121,159	$ (132,101)	$ 43,701	$ 1,117,801

Cautionary Statement Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains certain “forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. The forward-looking statements can be identified by the use of forward-looking terminology including "may," "expect," "anticipate," "estimate," "continue," "believe" or other similar words. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of important factors. For a discussion of known material factors that could affect our results, please refer to “Risk Factors,” “Forward-Looking Statements,” and "Management’s Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2015 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.

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.

Redomiciling to Canada

On July 17, 2015, we completed our change in place of incorporation from Delaware to British Columbia, Canada (the Redomicile Transaction). In the Redomicile Transaction, Civeo Corporation, a British Columbia, Canada limited company formerly named Civeo Canadian Holdings ULC (Civeo Canada), became the publicly traded parent company of the Civeo group of companies, and our former publicly traded Delaware parent (Civeo US) became a wholly owned subsidiary of Civeo Canada. Each issued share of Civeo US common stock, other than those shares of Civeo US common stock held by Civeo US in treasury, was effectively transferred to Civeo Canada and converted into one common share, no par value, of Civeo Canada. An aggregate of approximately 107.5 million Civeo Canada common shares were issued in the Redomicile Transaction. The Civeo Canada common shares are listed on the NYSE under the symbol “CVEO,” the same symbol under which the Civeo US common stock traded prior to the effective time.

The Redomicile Transaction qualified as a “self-directed redomiciling” of the Company as permitted under the U.S. Internal Revenue Code. U.S. federal income tax laws permit a company to change its domicile to a foreign jurisdiction without corporate-level U.S. federal income taxes provided that such company has “substantial business activity” in the relevant jurisdiction. “Substantial business activity” is defined as foreign operations consisting of over 25% of the company’s total (i) revenues, (ii) assets, (iii) employees and (iv) employee compensation. With approximately 50% or more of our operations in Canada based on these metrics, we qualified for a self-directed redomiciling.

We incurred costs related to the Redomicile Transaction totaling zero and $1.5 million for the three months ended September 30, 2016 and 2015, respectively. We incurred costs related to the Redomicile Transaction totaling $1.3 million and $5.1 million for the nine months ended September 30, 2016 and 2015, respectively.

Macroeconomic Environment

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

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

During the first quarter of 2016, global oil prices dropped to their lowest level in over ten years due to concerns over global oil demand, global crude inventory levels, worldwide economic growth and price cutting by major oil producing countries, such as Saudi Arabia. Increasing global supply, including increased U.S. shale oil production, also negatively impacted pricing. With falling Brent Crude and WTI oil prices, WCS also fell. Prices began to increase in March 2016. WCS prices in the third quarter of 2016 averaged $30.67 per barrel compared to a low of $20.26 in the first quarter of 2016 and a high of $83.78 in the second quarter of 2014. The WCS Differential increased modestly from $13.25 per barrel at the end of the fourth quarter of 2015 to $14.00 per barrel at the end of the third quarter of 2016. As of October 24, 2016, the WTI price was $50.12 and the WCS price was $36.12, resulting in a WCS Differential of $14.00.

There remains a significant risk that prices for Canadian oil sands crude oil related products could continue to deteriorate or remain at current depressed levels for an extended period of time, and the discount between WCS crude prices and WTI crude prices could widen. The continuation of these depressed price levels has negatively impacted exploration, development, maintenance and production spending and activity by Canadian operators and, therefore, demand for our services in late 2014, 2015 and 2016. Our Canadian oil sands customers could continue to delay maintenance spending and additional investments in their oil sands assets as well.

In Australia, approximately 80% of our rooms are located in the Bowen Basin and primarily serve met coal mines in that region. Met coal pricing and growth in production in the Bowen Basin region is predominantly influenced by the levels of Chinese steel production, which increased less than 1% for the first nine months of 2016 compared to the same period in 2015. As of October 24, 2016, contract met coal prices were approximately $200 per metric tonne, significantly higher than the September 2016 contract price of $92.50 per metric tonne, due to supply side factors that have restricted met coal volumes. Despite the increase, we have not seen a significant impact on customers' willingness to increase activity. We expect that spot prices for met coal will need to be sustained at these levels for at least six to twelve months before we see an impact on customer activity levels, and therefore, the demand for accommodations. Long-term demand for steel will be driven by increased steel consumption per capita in developing economies, such as China and India, whose current consumption per capita is a fraction of developed countries. Our customers continue to actively implement cost productivity and efficiency measures to drive down their cost base.

Natural gas and WTI crude oil prices, discussed above, have an impact on the demand for our U.S. accommodations business. With limited export capabilities, U.S. natural gas prices are primarily influenced by domestic supply/demand dynamics and resultant inventory levels. U.S. natural gas production has continued to outpace demand, which has caused prices to continue to be weak relative to historical prices over the past decade. U.S. natural gas inventory levels at September 30, 2016 were 3.68 Tcf, 2% over inventory levels from September 30, 2015 and 6% over seasonally comparable average inventory levels over the past five years. Prices for natural gas in the U.S. averaged $2.79 per mcf in the third quarter of 2016, a 2% increase over the average price in the third quarter of 2015. These weak prices are expected to continue. At these levels, it is uneconomic to increase development in several domestic, gas-focused basins. If natural gas production growth continues to surpass demand in the U.S. and/or the supply of natural gas were to increase, whether the supply comes from conventional or unconventional production or associated natural gas production from oil wells, prices for natural gas could be constrained for an extended period and result in fewer rigs drilling for natural gas in the near-term.

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

	Average Price (1)			
Quarter ended	WTI Crude (per bbl)	WCS Crude (per bbl)	Hard Coking Coal (Met Coal) (per tonne)	Henry Hub Natural Gas (per mcf)
Fourth Quarter through 10/24/2016	$ 50.23	$ 36.26	$ 200.00	$ 3.14
9/30/2016	44.88	30.67	92.50	2.79
6/30/2016	45.53	32.84	84.00	2.25
3/31/2016	33.41	20.26	81.00	1.98
12/31/2015	42.02	27.82	89.00	2.23
9/30/2015	46.48	31.54	93.00	2.73
6/30/2015	57.64	48.09	109.50	2.73
3/31/2015	48.49	35.03	117.00	2.81
12/31/2014	73.21	57.75	119.00	3.83
9/30/2014	97.60	78.69	120.00	3.95
6/30/2014	103.06	83.78	120.00	4.58
3/31/2014	98.68	77.76	143.00	5.18
12/31/2013	97.50	66.34	152.00	3.85
9/30/2013	105.83	83.10	145.00	3.55

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

Overview

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

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

Generally, our customers are making multi-billion dollar investments to develop their prospects, which have estimated reserve lives ranging from ten years to in excess of thirty years. Consequently, these investments are dependent on those customers’ longer-term view of commodity demand and prices. Announcements of certain new and expanded oil sands projects can create the opportunity to extend existing accommodations contracts and incremental contracts for us in Canada. There have been few new or expanded projects announced in recent months.

With the current commodity price environment and expected demand, concerns about take-away capacity out of the Canadian oil sands region and continued high costs including labor costs, the current outlook for Canadian oil sands activity has continued to deteriorate in 2016. Although we are currently the primary third-party accommodations provider for the two major construction projects in the Canadian oil sands region, the Fort Hills project and the Kearl project, outlook for additional major oil sands construction projects is limited. Oil sands operators are looking to reduce their costs and capital spending, limiting the demand for accommodations like we provide. As a result, we experienced materially lower revenues and earnings from our Canadian operations in the first nine months of 2016 compared to the same period in 2015 and expect this trend to continue for the rest of 2016.

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

In addition, we were awarded a contract with LNGC to construct a 4,500 person workforce accommodation center (Cedar Valley Lodge) for a proposed liquefaction and export facility in Kitimat, British Columbia. Construction of Cedar Valley Lodge will not commence until LNGC’s joint venture participants have made a positive final investment decision (FID). The FID was originally planned for the end of 2016; however, this decision has been delayed until a future time that has not yet been determined. We are currently in discussions with LNGC to extend this contract until a positive FID is made. As further discussed below, the delay was considered to be an indicator that certain of our long-lived assets may be impaired. If the FID continues to be delayed, or if the investment is cancelled, the resulting impact may negatively affect our results of operations and the value of our existing long-lived assets in Canada, including our Sitka Lodge, and may require us to record further material impairment charges equal to the excess of the carrying value of these assets over fair value. With the delay in the FID, we currently expect that LNGC will continue to utilize rooms at our Sitka Lodge through September 2017 in accordance with the terms of our contract. However, this contract may be extended to a new FID date based upon our current discussions with LNGC. There can be no assurance that LNGC’s joint venture participants will reach a positive FID or that our contracts with LNGC will be extended.

During the third quarter of 2016, we identified an indicator that certain asset groups used, or expected to be used, in conjunction with potential LNG projects in British Columbia may be impaired as a result of recent market developments, including the delay in FID discussed above. As a result, we assessed the carrying values of each of the asset groups to determine if they continued to be recoverable based on their estimated future cash flows. Based on the assessment, the carrying values of our mobile camp assets and certain undeveloped land positions in British Columbia were determined to not be recoverable and an impairment charge totaling $37.7 million was recorded in the third quarter of 2016.

In estimating future cash flows, we made numerous assumptions with respect to future circumstances that might directly impact each of the asset groups’ operations in the future and are therefore uncertain. These assumptions with respect to future circumstances included future oil, coal and natural gas prices, anticipated customer spending, and industry and/or local market conditions. These assumptions represented our best judgment based on the current facts and circumstances. However, different assumptions could result in a determination that the carrying values of additional asset groups are no longer recoverable based on estimated future cash flows. If estimates of future cash flows for certain of our assets included in this assessment that were not impaired were reduced by 10%, an additional impairment of between $25 million and $35 million could be indicated. Our estimate of fair value was primarily calculated using the Income Approach, which derives a present value of the asset group based on the asset groups estimated future cash flows. We discounted our estimated future cash flows using a long-term weighted average cost of capital based on our estimate of investment returns required by a market participant.

We expanded our Australian room capacity in 2012 and 2013 to meet increasing demand, notably in the Bowen Basin in Queensland and in the Gunnedah Basin in New South Wales to support coal production, and in Western Australia to support LNG and other energy-related projects. In early 2013, a confluence of falling met coal prices, additional carbon and mining taxes on our Australian accommodations customers and several years of cost inflation caused several of our customers to curtail or cease production from higher cost mines and delay or materially reduce their growth plans. This has negatively affected our ability to expand our room count and has led to a decrease in occupancy levels. Despite the repeal of carbon and mining taxes, continued concerns about China’s economy, which significantly influences the global demand for steel, and therefore, met coal, the outlook for met coal demand continues to be negative. As a result, our Australian business experienced lower occupancy levels throughout 2015, and this trend has continued in 2016.

Exchange rates between the U.S. dollar and each of the Canadian dollar and the Australian dollar influence our U.S. dollar reported financial results. Our business has historically derived the vast majority of its revenues and operating income in Canada and Australia. These revenues and profits are translated into U.S. dollars for U.S. Generally Accepted Accounting Principles (U.S. GAAP) financial reporting purposes. The Canadian dollar was valued at an average exchange rate of U.S. $0.77 for the third quarter of 2016 compared to U.S. $0.76 for the third quarter of 2015, an increase of approximately 0.3%. The Canadian dollar was valued at an average exchange rate of U.S. $0.76 for the first nine months of 2016 compared to U.S. $0.79 for the first nine months of 2015, a decrease of approximately 5%. The Canadian dollar was valued at an exchange rate of $0.76 on September 30, 2016 and $0.72 on December 31, 2015. The Australian dollar was valued at an average exchange rate of U.S. $0.76 for the third quarter of 2016 compared to U.S. $0.73 for the third quarter of 2015, an increase of approximately 5%. The Australian dollar was valued at an average exchange rate of U.S. $0.74 for the first nine months of 2016 compared to U.S. $0.76 for the first nine months of 2015, a decrease of approximately 3%. The Australian dollar was valued at an exchange rate of $0.77 on September 30, 2016 and $0.73 on December 31, 2015. These fluctuations of the Canadian and Australian dollars have had and will continue to have an impact on the translation of earnings generated from our Canadian and Australian subsidiaries and, therefore, our financial results.

We continue to monitor the global economy, the demand for crude oil, met coal and natural gas and the resultant impact on the capital spending plans of our customers in order to plan our business. We currently expect that our 2016 capital expenditures will total approximately $20 million to $25 million, compared to 2015 capital expenditures of $62 million. Please see "Liquidity and Capital Resources" below for further discussion of 2016 capital expenditures.

Results of Operations

Unless otherwise indicated, discussion of results for the three- and nine-month periods ended September 30, 2016, is based on a comparison to the corresponding period of 2015.

Results of Operations – Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

	Three Months Ended September 30,		
	2016	**2015**	**Change**
		($ in thousands)	
Revenues			
Canada	$ 73,539	$ 71,500	$ 2,039
Australia	27,679	29,177	(1,498)
United States and other	3,020	5,867	(2,847)
Total revenues	104,238	106,544	(2,306)
Costs and expenses			
Cost of sales and services			
Canada	50,571	49,652	919
Australia	13,441	13,987	(546)
United States and other	3,952	6,112	(2,160)
Total cost of sales and services	67,964	69,751	(1,787)
Selling, general and administrative expenses	13,644	16,691	(3,047)
Depreciation and amortization expense	33,721	36,172	(2,451)
Impairment expense	37,729	110,715	(72,986)
Other operating expense (income)	138	(3,945)	4,083
Total costs and expenses	153,196	229,384	(76,188)
Operating loss	(48,958)	(122,840)	73,882
Interest expense and income, net	(6,046)	(7,336)	1,290
Other income	1,338	261	1,077
Loss before income taxes	(53,666)	(129,915)	76,249
Income tax benefit	11,697	22,745	(11,048)
Net loss	(41,969)	(107,170)	65,201
Less: Net income attributable to noncontrolling interest	162	515	(353)
Net loss attributable to Civeo	$ (42,131)	$ (107,685)	$ 65,554

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

We reported net loss attributable to Civeo for the quarter ended September 30, 2015 of $107.7 million, or $1.01 per diluted share. As further discussed in Impairment expense below, net loss for the 2015 period included $43.2 million of after-tax charges, or $0.40 per diluted share, resulting from the impairment of goodwill in our Canadian reporting unit. Net loss for the 2015 period also included $46.9 million of after-tax charges, or $0.44 per diluted share, resulting from the impairment of fixed assets. Net loss for the 2015 period also included $1.0 million (or $0.01 per diluted share) in after-tax loss from costs incurred in connection with the Redomicile Transaction and $1.5 million (or $0.01 per diluted share) in an after-tax loss from the write off of debt issuance costs.

Revenues. Consolidated revenues decreased $2.3 million, or 2%, in the third quarter of 2016 compared to the third quarter of 2015. This decline was largely driven by decreases in the U.S. and Australia, due to lower occupancy and activity levels. This was partially offset by increases in Canada as well as stronger Canadian and Australian dollars in 2016 compared to 2015. Please see the discussion of segment results of operations below for further information.

Cost of Sales and Services. Our consolidated cost of sales decreased $1.8 million, or 3%, in the third quarter of 2016 compared to the third quarter of 2015, primarily due to decreases in the U.S. and Australia, due to lower occupancy and activity levels. This was partially offset by increases in Canada as well as stronger Canadian and Australian dollars in 2016 compared to 2015. Please see the discussion of segment results of operations below for further information.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expense decreased $3.0 million, or 18%, in the third quarter of 2016 compared to the third quarter of 2015. This decrease was primarily due to reduced compensation as a result of workforce reductions in 2015 and 2016, lower professional fees due to lower costs associated with the Redomicile Transaction and lower incentive compensation costs. These items were partially offset by severance costs and higher share based compensation expense associated with phantom share awards. The increase in share based compensation is due to a smaller decrease in our share price during the 2016 period compared to the 2015 period, which is used to remeasure these awards at each reporting date.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased $2.5 million, or 7%, in the third quarter of 2016 compared to the third quarter of 2015, primarily due to reduced depreciation expense resulting from impairments recorded in 2015 and early 2016.

Impairment Expense. Impairment expense of $37.7 million in the third quarter of 2016 consisted of pre-tax impairment losses of $37.7 million related to mobile camp assets and certain undeveloped land positions in the British Columbia LNG market in our Canadian segment.

Impairment expense of $110.7 million in the third quarter of 2015 consisted of the following items:

- Goodwill impairment losses of $43.2 million in our Canadian reporting unit;
- Pre-tax impairment losses totaling $20.5 million associated with long-lived assets in our U.S. segment;
- Pre-tax impairment losses totaling $24.0 million associated with long-lived assets in our Australian segment; and
- Pre-tax impairment losses totaling $23.0 million associated with long-lived assets in our Canadian segment, including $11.9 million related to assets that should have been impaired in the fourth quarter of 2014. We determined that the error was not material to our financial statements for the year ended December 31, 2014 and therefore corrected the error in the third quarter of 2015.

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

Other Operating Expense (Income). Other operating expense (income) changed from income of $3.9 million in the third quarter of 2015 to expense of $0.1 million in the third quarter of 2016. The income recognized in the third quarter of 2015 is primarily due to foreign currency gains on the remeasurement of U.S. dollar denominated cash in Canadian bank accounts as a result of the strengthening of the U.S. dollar.

Operating Loss. Consolidated operating loss decreased by $73.9 million, or 60%, in the third quarter of 2016 compared to the third quarter of 2015, primarily due to lower impairment expense, as well as lower depreciation and amortization expense.

Interest Expense and Interest Income, net. Net interest expense decreased by $1.3 million, or 18%, in the third quarter of 2016 compared to the third quarter of 2015, primarily due to the 2015 write-off of $1.5 million of debt issuance costs associated with the Amended Credit Facility.

Other Income. Other income increased by $1.1 million, or 413%, in the third quarter of 2016 compared to the third quarter of 2015, primarily due to income from an unconsolidated investment related to the engineering and planning work performed for LNGC's accommodation center in Kitimat.

Income Tax Benefit. Our income tax benefit for the three months ended September 30, 2016 totaled $11.7 million, or 21.8% of pre-tax income, compared to a benefit of $22.7 million, or 17.5% of pre-tax income, for the three months ended September 30, 2015. Our effective tax rate in 2016 was lower than the Canadian statutory rate of 27% primarily due to the exclusion of Australia and U.S. for purposes of computing the interim tax provision since they are loss jurisdictions for tax accounting purposes. In addition, the effective tax rate for the three months ended September 30, 2016 was impacted by a reduction in the 2016 annual effective tax rate from June 30, 2016 to September 30, 2016 due to changes in estimated taxable loss. Under ASC 740-270, Accounting for Income Taxes, the quarterly tax provision is based on our current estimate of the annual effective tax rate less the prior quarter's year-to-date tax provision.

For the three months ended September 30, 2015, our effective tax rate of 18.6% was lower than the Canadian statutory rate in part due to the exclusion of the U.S. for purposes of computing the interim tax provision. In addition, the rate was impacted by the following items: (i) an income tax expense of approximately $10 million related to unrecognized tax benefits; and (ii) an income tax expense of approximately $12 million resulting from the impairment of goodwill not deductible for tax purposes. Finally, during the third quarter of 2015, management determined that, based on evidence available as of September 30, 2015, it was not more likely than not that the U.S. net operating loss would be realized. This evidence was largely comprised of the reversal of the U.S. jurisdiction from a net deferred tax liability as of December 31, 2014 to a net deferred tax asset as of September 30, 2015. Deferred tax assets generated in 2015 were realized to the extent of the net deferred tax liabilities as of December 31, 2014, resulting in a tax benefit of approximately $20 million. A valuation allowance has been recorded discretely in the third quarter on the remaining deferred tax assets generated in 2015, with the result of no further tax benefit from the U.S. pretax losses.

Other Comprehensive Income (Loss). Other comprehensive income increased $88.9 million in the third quarter of 2016 compared to the third quarter of 2015, primarily as a result of foreign currency translation adjustments due to changes in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar exchange rate compared to the U.S. dollar decreased 1% from June 30, 2016 to September 30, 2016 compared to a 7% decrease from June 30, 2015 to September 30, 2015. The Australian dollar exchange rate compared to the U.S. dollar increased 3% from June 30, 2016 to September 30,2016 compared to a 9% decrease from June 30, 2015 to September 30, 2015.

Segment Results of Operations – Canadian Segment

	Three Months Ended September 30, 2016	2015	Change
Revenues ($ in thousands)			
Lodge revenue (1)	$ 61,712	$ 55,708	$ 6,004
Mobile, open camp and product revenue	11,827	15,792	(3,965)
Total revenues	$ 73,539	$ 71,500	$ 2,039
Cost of sales and services ($ in thousands)	$ 50,571	$ 49,652	$ 919
Gross margin as a % of revenues	31.2%	30.6%	0.6%
Average available lodge rooms (2)	14,670	13,433	1,237
Rentable rooms for lodges (3)	10,588	9,445	1,143
Average daily rate for lodges (4)	$ 100	$ 112	$ (12)
Occupancy in lodges (5)	64%	57%	7%
Canadian dollar to U.S. dollar	$ 0.766	$ 0.764	$ 0.002

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

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

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

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

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

Our Canadian segment reported revenues in the third quarter of 2016 that were $2.0 million, or 3%, higher than the third quarter of 2015. This increase was driven by higher lodge occupancy due to the continued room needs related to the Fort McMurray fires, partially offset by lower room rates and declines in mobile, open camp and product revenues due to overall lower activity levels in the Canadian oil sands. The average exchange rates for the Canadian dollar relative to the U.S. dollar had minimal impact on revenues in the third quarter of 2016 compared to the third quarter of 2015.

Our Canadian segment cost of sales and services increased $0.9 million, or 2%, in the third quarter of 2016 compared to the third quarter of 2015 primarily due to the increased lodge activity.

Our Canadian segment gross margin as a percentage of revenues increased from 30% in the third quarter of 2015 to 31% in the third quarter of 2016. This increase was driven by an increase in occupancy due to the continued room needs related to the Fort McMurray fires and lower costs due to a focus on cost containment and operational efficiencies, partially offset by lower room rates.

Segment Results of Operations – Australian Segment

	Three Months Ended September 30,		
	2016	2015	Change
Revenues ($ in thousands)			
Village revenue (1)	$ 27,679	$ 29,177	$ (1,498)
Total revenues	27,679	29,177	(1,498)
Cost of sales ($ in thousands)	$ 13,441	$ 13,987	$ (546)
Gross margin as a % of revenues	51.4%	52.1%	(0.7)%
Average available village rooms (2)	9,344	9,064	280
Rentable rooms for villages (3)	8,675	8,824	(149)
Average daily rate for villages (4)	$ 81	$ 71	$ 10
Occupancy in Villages (5)	43%	50%	(7%)
Australian dollar to U.S. dollar	$ 0.758	$ 0.725	$ 0.033

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

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

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

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

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

Our Australian segment reported revenues in the third quarter of 2016 that were $1.5 million, or 5%, lower than the third quarter of 2015. The strengthening of the average exchange rates for Australian dollars relative to the U.S. dollar by 5% in the third quarter of 2016 compared to the third quarter of 2015 resulted in a $1.2 million period-over-period increase in revenues. Excluding the impact of the stronger Australian exchange rates, the Australian segment experienced a 9% decline in revenues due to lower occupancy levels in the third quarter of 2016 compared to the third quarter of 2015, primarily as a result of the continued slowdown in mining activity.

Our Australian segment cost of sales decreased $0.5 million, or 4%, in the third quarter of 2016 compared to the third quarter of 2015. The decrease was driven by lower occupancy levels in the third quarter of 2016 compared to the third quarter of 2015.

Our Australian segment gross margin as a percentage of revenues decreased to 51% in the third quarter of 2016 from 52% in the third quarter of 2015. This was primarily driven by reduced take or pay revenues on expired contracts and lower occupancy compared to the third quarter of 2015.

Segment Results of Operations – United States Segment

	Three Months Ended September 30,		
	2016	2015	Change
Revenues ($ in thousands)	$ 3,020	$ 5,867	$ (2,847)
Cost of sales ($ in thousands)	$ 3,952	$ 6,112	$ (2,160)
Gross margin as a % of revenues	(30.9%)	(4.2%)	(26.7%)

Our United States segment reported revenues in the third quarter of 2016 that were $2.8 million, or 49%, lower than the third quarter of 2015. The reduction was primarily due to lower U.S. drilling activity in the Bakken, Rockies and Texas markets.

Our United States cost of sales decreased $2.2 million, or 35%, in the third quarter of 2016 compared to the third quarter of 2015. The decrease was driven by overall lower activity levels.

Our United States segment gross margin as a percentage of revenues decreased from (4%) in the third quarter of 2015 to (31%) in the third quarter of 2016 primarily due to overall lower activity levels, which were insufficient to cover the fixed cost structure of our United States segment.

Results of Operations – Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

	NINE MONTHS ENDED SEPTEMBER 30,		
	2016	**2015**	**Change**
		($ in thousands)	
Revenues			
Canada	$ 216,168	$ 278,472	$ (62,304)
Australia	80,694	109,304	(28,610)
United States and other	9,447	32,902	(23,455)
Total revenues	306,309	420,678	(114,369)
Costs and expenses			
Cost of sales and services			
Canada	145,914	184,733	(38,819)
Australia	39,092	47,690	(8,598)
United States and other	13,487	29,663	(16,176)
Total cost of sales and services	198,493	262,086	(63,593)
Selling, general and administrative expenses	42,056	51,796	(9,740)
Depreciation and amortization expense	100,444	121,159	(20,715)
Impairment expense	46,129	122,926	(76,797)
Other operating expense (income)	356	(5,188)	5,544
Total costs and expenses	387,478	552,779	(165,301)
Operating loss	(81,169)	(132,101)	50,932
Interest expense and income, net	(17,103)	(17,384)	281
Other income (expense)	1,058	1,825	(767)
Loss before income taxes	(97,214)	(147,660)	50,446
Income tax benefit	17,217	27,451	(10,234)
Net loss	(79,997)	(120,209)	40,212
Less: Net income attributable to noncontrolling interest	442	953	(511)
Net loss attributable to Civeo	$ (80,439)	$ (121,162)	$ 40,723

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

The results compare to net loss attributable to Civeo for the nine months ended September 30, 2015 of $121.2 million, or $1.14 per diluted share. As further discussed in Impairment expense below, net loss for the 2015 period included $43.2 million of after-tax charges, or $0.40 per diluted share, resulting from the impairment of goodwill in our Canadian reporting unit. Net loss for the 2015 period also included $56.0 million of after-tax charges, or $0.52 per diluted share, resulting from the impairment of fixed assets. Net loss for 2015 also included $3.4 million (or $0.04 per diluted share) in after-tax loss from costs incurred in connection with the Redomicile Transaction and $1.5 million (or $0.01 per diluted share) in an after-tax loss from the write off of debt issuance costs.

Revenues. Consolidated revenues decreased $114.4 million, or 27%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. This decline was largely driven by decreases in Canada, Australia and the U.S. due to lower occupancy, as well as weaker Canadian and Australian dollars in 2016 compared to 2015. Please see the discussion of segment results of operations below for further information.

Cost of Sales and Services. Our consolidated cost of sales decreased $63.6 million, or 24%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily due to decreases in occupancy in both Canada and Australia, as well as the weaker Canadian and Australian dollars in the nine months ended September 30, 2016 compared to the same period in 2015. Please see the discussion of segment results of operations below for further information.

Selling, General and Administrative Expenses. SG&A expense decreased $9.7 million, or 19%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. This decrease was primarily due to reduced compensation as a result of workforce reductions in 2015 and 2016, lower professional fees due to lower costs associated with the Redomicile Transaction, lower bad debt reserves when compared to 2015, lower incentive compensation costs and the impact of the weaker Canadian and Australian dollars. These items were partially offset by higher share based compensation expense associated with phantom share awards. The increase in share based compensation is due to a smaller decrease in our share price during the period, which is used to remeasure these awards at each reporting date.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased $20.7 million, or 17%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to reduced depreciation expense resulting from impairments recorded in 2015 as well as the impact of the weaker Canadian and Australian dollars.

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

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

- Pre-tax impairment losses of $8.4 million related to the impairment of fixed assets in our U.S. segment.

Impairment expense of $122.9 million in the nine months ended September 30, 2015 consisted of:

- Pre-tax impairment losses of $33.5 million related to fixed assets in our Australian segment;

- Pre-tax impairment totaling $2.7 million in 2015 related to a decision to sell our U.S. manufacturing facility;

- Goodwill impairment losses of $43.2 million in our Canadian reporting unit;

- Pre-tax impairment losses totaling $20.5 million associated with long-lived assets in our U.S. segment; and

- Pre-tax impairment losses totaling $23.0 million associated with long-lived assets in our Canadian segment.

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

Other Operating Expense (Income). Other operating expense (income) changed from income of $5.2 million for the nine months ended September 30, 2015 to an expense of $0.4 million in the nine months ended September 30, 2016. The 2015 income is primarily due to foreign currency gains on the remeasurement of U.S. dollar denominated cash in Canadian bank accounts as a result of the strengthening of the U.S. dollar.

Operating Loss. Consolidated operating loss decreased $50.9 million, or 39%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to lower impairment expense in the 2016 period, partially offset by lower occupancy levels in Canada and Australia and the weaker Canadian and Australian dollars.

Interest Expense and Interest Income, net. Net interest expense decreased by $0.3 million, or 2%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to decreased interest expense associated with lower amounts outstanding under the Amended Credit Facility and the 2015 write-off of $1.5 million of debt issuance costs associated with the Amended Credit Facility. This was partially offset by decreased interest income due to lower average cash balances in 2016 as compared to 2015 and lower capitalized interest due to no similar projects in 2016.

Income Tax Benefit. Our income tax benefit for the nine months ended September 30, 2016 totaled $17.2 million, or 17.7% of pre-tax income, compared to a benefit of $27.5 million, or 18.6% of pre-tax income, for the nine months ended September 30, 2015. Our effective tax rate in 2016 was lower than the Canadian statutory rate of 27% primarily due to the exclusion of Australia and U.S. for purposes of computing the interim tax provision since they are loss jurisdictions for tax accounting purposes.

For the nine months ended September 30, 2015, our effective tax rate of 18.6% was lower than the Canadian statutory rate in part due to the exclusion of the U.S. for purposes of computing the interim tax provision. In addition, the rate was impacted by the following items: (i) an income tax expense of approximately $10 million related to unrecognized tax benefits; (ii) an income tax expense of approximately $12 million resulting from the impairment of goodwill not deductible for tax purposes; and (iii) an income tax expense of approximately $2.7 million related to an increase in statutory tax rates in Alberta, Canada included in our 2015 tax benefit. Finally, during the third quarter of 2015, management determined that, based on evidence available as of September 30, 2015, it was not more likely than not that the U.S. net operating loss would be realized. This evidence was largely comprised of the reversal of the U.S. jurisdiction from a net deferred tax liability as of December 31, 2014 to a net deferred tax asset as of September 30, 2015. Deferred tax assets generated in 2015 were realized to the extent of the net deferred tax liabilities as of December 31, 2014, resulting in a tax benefit of approximately $20 million. A valuation allowance has been recorded discretely in the third quarter on the remaining deferred tax assets generated in 2015, with the result of no further tax benefit from the U.S. pretax losses.

Other Comprehensive Income (Loss). Other comprehensive income increased $198.5 million in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily as a result of foreign currency translation adjustments due to changes in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar exchange rate compared to the U.S. dollar increased 6% from December 31, 2015 to September 30, 2016 compared to a 13% decrease from December 31, 2014 to September 30, 2015. The Australian dollar exchange rate compared to the U.S. dollar increased 5% from December 31, 2015 to September 30, 2016 compared to a 14% decrease from December 31, 2014 to September 30, 2015.

Segment Results of Operations – Canadian Segment

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Change
Revenues ($ in thousands)			
Lodge revenue (1)	$ 182,899	$ 213,896	$ (30,997)
Mobile, open camp and product revenue	33,269	64,576	(31,307)
Total revenues	$ 216,168	$ 278,472	$ (62,304)
Cost of sales and services ($ in thousands)	$ 145,914	$ 184,733	$ (38,819)
Gross margin as a % of revenues	32.5%	33.7%	(1.2%)
Average available lodge rooms (2)	14,647	13,294	1,353
Rentable rooms for lodges (3)	10,199	10,125	74
Average daily rate for lodges (4)	$ 106	$ 123	$ (17)
Occupancy in lodges (5)	62%	63%	(1%)
Canadian dollar to U.S. dollar	$ 0.757	$ 0.795	$ (0.038)

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

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

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

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

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

Our Canadian segment reported revenues in the nine months ended September 30, 2016 that were $62.3 million, or 22%, lower than the nine months ended September 30, 2015. The weakening of the average exchange rates for the Canadian dollar relative to the U.S. dollar by 5% in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 resulted in a $10.5 million year-over-year reduction in revenues. In addition, excluding the impact of the weaker Canadian exchange rates, the segment experienced a 10% decline in lodge revenues, primarily due to lower room rates. Finally, mobile, open camp and product revenues all declined due to overall lower activity levels.

Our Canadian segment cost of sales and services decreased $38.8 million, or 21%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily due to lower occupancy, as well as the weakening of the average exchange rates.

Our Canadian segment gross margin as a percentage of revenues decreased from 34% in the nine months ended September 30, 2015 to 33% in the nine months ended September 30, 2016 primarily due to lower contracted room rates, partially offset by continued room needs related to the Fort McMurray fires and lower costs due to a focus on cost containment and operational efficiencies.

Segment Results of Operations – Australian Segment

	Nine Months Ended September 30,		
	2016	**2015**	**Change**
Revenues ($ in thousands)			
Village revenue (1)	$ 80,694	$ 109,304	$ (28,610)
Total revenues	80,694	109,304	(28,610)
Cost of sales ($ in thousands)	$ 39,092	$ 47,690	$ (8,598)
Gross margin as a % of revenues	51.6%	56.4%	(4.8%)
Average available village rooms (2)	9,317	9,219	98
Rentable rooms for villages (3)	8,700	8,955	(255)
Average daily rate for villages (4)	$ 75	$ 76	$ (1)
Occupancy in Villages (5)	45%	58%	(13%)
Australian dollar to U.S. dollar	$ 0.742	$ 0.763	$ (0.021)

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

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

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

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

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

Our Australian segment reported revenues in the nine months ended September 30, 2016 that were $28.6 million, or 26%, lower than the nine months ended September 30, 2015. The weakening of the average exchange rates for Australian dollars relative to the U.S. dollar by 3% in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 resulted in a $2.3 million year-over-year reduction in revenues. Excluding the impact of the weaker Australian exchange rates, the segment experienced a 24% decline in revenues due to lower occupancy levels in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily as a result of the continued slowdown in mining activity.

Our Australian segment cost of sales decreased $8.6 million, or 18%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The decrease was driven by lower occupancy levels as well as the weakening of the Australian dollar.

Our Australian segment gross margin as a percentage of revenues decreased to 52% in the nine months ended September 30, 2016 from 56% in the nine months ended September 30, 2015. This was primarily driven by reduced take or pay revenues on expired contracts and lower occupancy compared to the nine months ended September 30, 2015.

Segment Results of Operations – United States Segment

	Nine Months Ended September 30,		
	2016	2015	Change
Revenues ($ in thousands)	$ 9,447	$ 32,902	$ (23,455)
Cost of sales ($ in thousands)	$ 13,487	$ 29,663	$ (16,176)
Gross margin as a % of revenues	(42.8%)	9.8%	(52.6%)

Our United States segment reported revenues in the nine months ended September 30, 2016 that were $23.5 million, or 71%, lower than the nine months ended September 30, 2015. The reduction was primarily due to lower U.S. drilling activity in the Bakken, Rockies and Texas markets and decreased sales in our offshore business.

Our United States cost of sales decreased $16.2 million, or 55%, in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The decrease was driven by overall lower activity levels.

Our United States segment gross margin as a percentage of revenues decreased from 10% in the nine months ended September 30, 2015 to (43%) in the nine months ended September 30, 2016, primarily due to overall lower activity levels, which were insufficient to cover the fixed cost structure of our United States segment.

Liquidity and Capital Resources

Our primary liquidity needs are to fund capital expenditures, which in the past have included expanding and improving our accommodations, developing new lodges and villages, purchasing or leasing land under our land banking strategy, and for general working capital needs. In addition, capital has been used to repay debt, fund strategic business acquisitions and pay dividends. Historically, our primary sources of funds have been available cash, cash flow from operations and borrowings under our credit facility. The following table summarizes our consolidated liquidity position as of September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Lender commitments (1)	$ 350,000	$ 375,000
Reductions in availability (2)	(125,040)	(121,690)
Borrowings against revolver capacity	(49,258)	(52,020)
Outstanding letters of credit	(1,618)	(5,070)
Unused availability	174,084	196,220
Cash and cash equivalents	2,530	7,837
Total available liquidity	$ 176,614	$ 204,057

(1) We also have a A$2.0 million bank guarantee facility. We had bank guarantees of A$0.8 million and A$1.3 million under this facility outstanding as of September 30, 2016 and December 31, 2015, respectively.

(2) As of September 30, 2016 and December 31, 2015, $125.0 million and $121.7 million, respectively, of our borrowing capacity under our Amended Credit Facility could not be utilized in order to maintain compliance with the maximum leverage ratio financial covenant in our Amended Credit Facility.

Cash totaling $48.8 million was provided by operations during the nine months ended September 30, 2016 compared to $174.9 million provided by operations during the nine months ended September 30, 2015. The decrease in operating cash flow in 2016 compared to 2015 was primarily due to lower revenue resulting from occupancy levels in lodges and villages. Net cash used in changes in operating assets and liabilities was $1.0 million during the nine months ended September 30, 2016 compared to net cash provided by changes in operating assets and liabilities of $78.0 million during the nine months ended September 30, 2015. The decrease was primarily the result of decreasing accounts receivable balances during the nine months ended September 30, 2015 as compared to increasing balances during the same period in 2016.

Cash was used in investing activities during the nine months ended September 30, 2016 in the amount of $11.5 million compared to cash used in investing activities during the nine months ended September 30, 2015 in the amount of $41.4 million. Capital expenditures totaled $15.2 million and $43.7 million during the nine months ended September 30, 2016 and 2015, respectively. Capital expenditures in the nine months ended September 30, 2016 consisted primarily of investments in an enterprise information system and maintenance. Capital expenditures in the nine months ended September 30, 2015 consisted principally of costs for the construction and installation of assets for our lodges primarily in support of Canadian oil sands projects.

We expect our capital expenditures for 2016 to be in the range of $20 million to $25 million, which excludes any expenditures for unannounced and uncommitted projects, the spending for which is contingent on obtaining customer contracts. Whether planned expenditures will actually be spent in 2016 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 borrowings under our Amended Credit Facility.

Net cash of $45.8 million was used in financing activities during the nine months ended September 30, 2016, primarily due to repayments of term loan borrowings of $37.1 million, net repayments of revolver borrowings of $6.6 million and debt issuance costs of $2.0 million. Net cash of $347.3 million was used in financing activities during the nine months ended September 30, 2015, primarily due to repayments of term loan borrowings of $725 million, which was offset by borrowings of term loans of $325 million and net revolver borrowings of $56.7 million.

The following table summarizes the changes in debt outstanding during the nine months ended September 30, 2016 (in thousands):

	Canada	Australia	U.S.	Total
Balance at December 31, 2015	$ 352,185	$ --	$ 49,375	$ 401,560
Borrowings on revolving credit facilities	171,470	35,153	23,700	230,323
Repayments of revolving credit facilities	(193,201)	(24,638)	(19,100)	(236,939)
Repayments of term loans	(12,107)	--	(25,000)	(37,107)
Translation	20,293	216	--	20,509
Balance at September 30, 2016	$ 338,640	$ 10,731	$ 28,975	$ 378,346

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

We have filed a shelf registration statement with the SEC registering $300 million of common shares, preferred shares, debt securities and warrants.

Credit Facility and Long Term Debt

On February 18, 2016, the Second Amendment (Second Amendment) to the Credit Facility (together with all amendments, the Amended Credit Facility) became effective, which provided for the following:

- Civeo Management LLC, an indirect wholly owned subsidiary of the Company, became a co-borrower under the US$50.0 million U.S. revolving credit facility under the Amended Credit Facility;

- The partial prepayment of the U.S. term loan under the Amended Credit Facility in the aggregate principal amount of US$25.0 million and the reduction by US$25.0 million of the aggregate revolving loan commitments under the Canadian revolving credit facility under the Amended Credit Facility, which was incurred in connection with the first amendment to the Credit Facility, to a maximum principal amount of US$100.0 million;

- (i) Increased the interest rate margin by 0.25% when the leverage ratio is less than 1.50x (by removing the lowest level in the leverage-based interest rate margin grid), (ii) established two additional levels to the total leverage-based grid such that the interest rates for the loans range from LIBOR +2.25% to LIBOR +5.00% and (iii) increased the undrawn commitment fee from a range of 0.45% to 0.90% to a range of 0.51% to 1.13% based on total leverage;

- Adjusted the maximum leverage ratio financial covenant, as follows:

Period Ended	**Maximum Leverage Ratio**
December 31, 2015	4.00 : 1.00
March 31, 2016	4.25 : 1.00
June 30, 2016	5.25 : 1.00
September 30, 2016	5.50 : 1.00
December 31, 2016	5.50 : 1.00
March 31, 2017	5.25 : 1.00
June 30, 2017	5.25 : 1.00
September 30, 2017	5.00 : 1.00
December 31, 2017	5.00 : 1.00
March 31, 2018	4.75 : 1.00
June 30, 2018	3.75 : 1.00
September 30, 2018 & thereafter	3.50 : 1.00

- Included a provision for a mandatory prepayment of the revolving credit facilities under the Amended Credit Facility in the event the Company and its subsidiaries hold an aggregate amount of cash exceeding US$40.0 million for a period of more than three consecutive business days, such mandatory prepayment to be made within two business days in an amount equal to the lesser of (a) an amount sufficient to reduce the aggregate amount of cash and permitted investments on hand at the Company and its subsidiaries to less than US$40.0 million or (b) an amount sufficient to repay all of the outstanding commitments under the revolving credit facilities under the Amended Credit Facility; and

- Other technical changes and amendments to the Credit Facility.

The following table summarizes the capacity available under the Amended Credit Facility as compared to the first amendment to the Credit Facility (in thousands):

	First Amendment to the Credit Facility	**Amended Credit Facility**
Term loans:		
U.S. term loan	$ 50,000	$ 24,375
Canadian term loan	325,000	325,000
Total term loans outstanding	$ 375,000	$ 349,375
Total capacity under revolving credit facilities:		
U.S. revolving credit facility	$ 50,000	$ 50,000
Canadian revolving credit facility	100,000	100,000
New Canadian revolving credit facility	125,000	100,000
Australian revolving credit facility	100,000	100,000
Total capacity under revolving credit facilities	$ 375,000	$ 350,000

U.S. dollar amounts outstanding under the Amended Credit Facility bear interest at a variable rate equal to LIBOR plus a margin of 2.25% to 5.00%, or a base rate plus 1.25% to 4.00%, in each case based on a ratio of our total leverage to EBITDA (as defined in the Amended Credit Facility). Canadian dollar amounts outstanding under the Amended Credit Facility bear interest at a variable rate equal to CDOR plus a margin of 2.25% to 5.00%, or a base rate plus a margin of 1.25% to 4.00%, in each case based on a ratio of our consolidated total leverage to EBITDA (as defined in the Amended Credit Facility). Australian dollar amounts outstanding under the Amended Credit Facility bear interest at a variable rate equal to BBSY plus a margin of 2.25% to 5.00%, based on a ratio of our consolidated total leverage to EBITDA (as defined in the Amended Credit Facility).

The Amended Credit Facility contains customary affirmative and negative covenants that, among other things, limit or restrict (i) subsidiary indebtedness, liens and fundamental changes, (ii) asset sales, (iii) margin stock, (iv) specified acquisitions, (v) restrictive agreements, (vi) transactions with affiliates and (vii) investments and other restricted payments, including dividends and other distributions. Specifically, we must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA (as defined in the Amended Credit Facility) to consolidated interest expense, of at least 3.0 to 1.0 and a maximum leverage ratio, defined as the ratio of total debt to consolidated EBITDA, of no greater than 5.50 to 1.0 (as of September 30, 2016). As noted above, the permitted level of the maximum leverage ratio changes over time. Each of the factors considered in the calculations of these ratios are defined in the Amended Credit Facility. EBITDA and consolidated interest, as defined in the Amended Credit Facility, exclude goodwill and asset impairments, debt discount amortization and other non-cash charges. We were in compliance with these covenants as of September 30, 2016.

We have 15 lenders in our Amended Credit Facility with commitments ranging from $1.2 million to $135.7 million.

Dividends

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

Off-Balance Sheet Arrangements

As of September 30, 2016, we had no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

For additional information about our contractual obligations, refer to “Liquidity and Capital Resources—Contractual Obligations” contained in the Information Statement included in our 2015 Annual Report on Form 10-K. As of September 30, 2016, except for net repayments under our revolving credit facilities, there were no material changes to this disclosure regarding our contractual obligations made in our 2015 Annual Report on Form 10-K.

Critical Accounting Policies

For a discussion of the critical accounting policies and estimates that we use in the preparation of our consolidated financial statements, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Information Statement included in our 2015 Annual Report on Form 10-K. 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, 2016, we had $378.3 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 increase by 1%, our consolidated interest expense would increase by approximately $3.8 million annually, based on our floating-rate debt obligations as of September 30, 2016.

Foreign Currency Exchange Rate Risk

Our operations are conducted in various countries around the world and we receive revenue and pay expenses from these operations in a number of different currencies. As such, our earnings are subject to movements in foreign currency exchange rates when transactions are denominated in (i) currencies other than the U.S. dollar, which is our functional currency, or (ii) the functional currency of our subsidiaries, which is not necessarily the U.S. dollar. Excluding intercompany balances, our Canadian dollar and Australian dollar functional currency net assets total approximately C$0.2 billion and A$0.5 billion, respectively, at September 30, 2016. 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, 2016 would result in translation adjustments of approximately $18.0 million and $47.0 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) of the Exchange Act). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2016 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2016, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. *Legal Proceedings*

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

ITEM 1A. *Risk Factors*

For additional information about our risk factors, please read the section entitled “Risk Factors” in the Information Statement included in our 2015 Annual Report on Form 10-K.

ITEM 6. ***Exhibits***

(a) INDEX OF EXHIBITS

Exhibit No.		Description
2.1	—	Agreement and Plan of Merger, dated as of April 6, 2015, among Civeo Corporation, Civeo Canadian Holdings ULC and Civeo US Merger Co (incorporated by reference to Annex A of Civeo Corporation’s definitive proxy statement/prospectus on Schedule 14A filed with the SEC on April 8, 2015).
2.2	—	Separation and Distribution Agreement, by and between Oil States International, Inc. and Civeo Corporation, dated May 27, 2014 (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K (File No. 001-36246) filed on June 2, 2014).
3.1	—	Notice of Articles of Civeo Corporation (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K12B (File No. 001-36246) filed on July 17, 2015).
3.2	—	Amended and Restated Articles of Civeo Corporation (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-36246) filed on May 13, 2016).
4.1	—	Form of Common Share Certificate (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K12B (File No. 001-36246) filed on July 17, 2015).
31.1*	—	Certification of Chief Executive Officer of Civeo Corporation, pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
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101.INS*	—	XBRL Instance Document
101.SCH*	—	XBRL Taxonomy Extension Schema Document
101.CAL*	—	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	—	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	—	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith.
** 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 31, 2016 **By /s/ Frank C. Steininger**

Frank C. Steininger
Senior Vice President, Chief Financial Officer and
Treasurer (Duly Authorized Officer and Principal Financial Officer)

Exhibit Index

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101.SCH*	—	XBRL Taxonomy Extension Schema Document
101.CAL*	—	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	—	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	—	XBRL Taxonomy Extension Presentation Linkbase Document

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*   Filed herewith.
** 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.

EXHIBIT 31.1

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;

   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 31, 2016

/s/ Bradley J. Dodson
Bradley J. Dodson
President and Chief Executive Officer

EXHIBIT 31.2

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

I, Frank C. Steininger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Civeo Corporation (Registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    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 31, 2016

/s/ Frank C. Steininger
Frank C. Steininger
Senior Vice President, Chief Financial Officer
and Treasurer

EXHIBIT 32.1

**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, 2016, 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 31, 2016

EXHIBIT 32.2

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, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank C. Steininger, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frank C. Steininger
Name: Frank C. Steininger
Date: October 31, 2016