Risk Factors Comparison 2024-02-29 to 2023-03-01 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The workforce accommodations and hospitality industry in which we operate is highly competitive. To be successful, we must provide hospitality services that meet the specific needs of our customers at competitive prices. The principal competitive factors in the markets in which we operate are service quality, availability, price, location, technical knowledge and experience and safety performance. We compete with international and regional competitors, several of which are significantly larger than us. These competitors offer similar services in the geographic regions in which we operate. Many natural resources companies in our core markets own their own accommodations facilities and outsource their service requirements, while others outsource all or part of their accommodations requirements. As a result of competition, we may be unable to continue to provide our present services, to provide such services at historical operating margins or to acquire additional business opportunities, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Reduced levels of activity in the workforce accommodation industry can intensify competition and result in lower revenue to us. Our operations may suffer due to over- capacity of certain types of accommodations assets in certain regions. The demand for and / or pricing of rooms and accommodation services is subject to the overall availability of rooms in a region. If demand for our assets were to decrease, or to the extent that we and our competitors have capacity in excess of current demand, we may encounter decreased pricing for, or utilization of, our assets and services, which could adversely impact our operations and profits. For example, we experienced a decrease in customer demand in 2020 for accommodations in the Canadian oil sands and our U. S. business as a result of the economic disruption caused by COVID- 19, and experienced a corresponding decrease in our occupancy and profitability. **Continued** ~~Although customer production activity and resulting demand for our accommodations approached pre-pandemic levels in 2022,~~ volatility in commodity price levels, **any future** ~~the ongoing impact of COVID- 19 or other~~ global health crises, inflationary pressures, actions taken by OPEC to adjust production levels, geopolitical events such as the ongoing Russia / Ukraine **and Israel / Hamas** ~~conflict~~ **conflicts** , and regulatory implications on such prices, among other factors, could cause our Canadian oil sands and pipeline customers to reduce production, delay expansionary and maintenance spending and defer additional investments in their oil sands assets, which would cause a decrease in customer demand for our accommodations. Increased operating costs and limited cost recovery through pricing or contract terms may constrain our ability to make a profit. Our profitability can be adversely affected to the extent we are faced with cost increases for food, wages and other labor related expenses, insurance, fuel and utilities, especially to the extent we are unable to recover such increased costs through increases in the prices for our services, due to one or more of general economic conditions, competitive conditions or contractual provisions in our customer contracts. For example, substantial increases in the cost of fuel and utilities have historically resulted in cost increases in our lodges and villages. ~~30 From time to time~~ **In the last eighteen months** , we have experienced **a significant** ~~increases~~ - **increase** in our food costs **due to global inflationary pressures** . While **inflation has stabilized, and while** we ~~believe a portion~~ **have been able to pass some** of ~~these~~ -- **the increased costs onto our customers, we expect to continue to experience** increases ~~were attributable~~ **in our food costs from time** to **time due to increasing** fuel prices, ~~we believe the increases also resulted from~~ rising global food demand, other general inflationary pressures and rising supply chain issues affecting supply of goods ~~, which are exacerbated by the ongoing Russia / Ukraine conflict~~ . In addition, food **28** prices can fluctuate as a result of foreign exchange rates and temporary changes in supply, including as a result of incidences of wildfires or severe weather such as droughts, heavy rains and late freezes, or other climate effects. Climate and natural disaster events, such as forest fires or flooding, have the ability to impact local crop production, limiting supply and therefore having an upward pressure on food prices. For example, large swathes of farmland across the Australian states of New South Wales, Queensland and Victoria in 2022 were inundated with flood waters, damaging wheat and other crops including fruit and vegetables. A shortage of skilled labor could also result in higher wages due to more expensive temporary hire labor resources that would increase our labor costs, which could negatively affect our profitability. **For example** ~~Since the COVID-19 pandemic began~~ , we have **recently** been impacted by increased staff costs as a result of hospitality labor shortages in Australia **due to** ~~. This has been exacerbated by~~ low levels of immigration into Australia and, specifically, an acute shortage of skilled labor. The reduced levels of immigration and shortage of skilled labor ~~has~~ subsequently led to an increased reliance on more expensive temporary labor hire resources and ~~has~~ negatively affected our profitability. Additionally, an increased proportion of temporary labor hire resources has the effect of driving up costs due to a lack of efficiency. The nature of temporary labor hire resource positions are short term, with key skills unable to be retained in our lodges and villages due to higher staff turnover. While our multi- year contracts often provide for annual escalation in our room rates for food, labor and utility inflation, we may be unable to fully recover costs, or the recovery may be delayed, and such increases would negatively impact our profitability on contracts that do not contain such inflation protections. Employee and customer labor problems could adversely affect us. Our business is labor intensive requiring a significant number of employees to perform housekeeping, janitorial and food service functions at our locations or locations that we manage. As our operations grow or our occupancy increases, we require additional staff to take care of our guests at a standard we deem appropriate and to operate safely. If we are unable to hire a sufficient labor force, we could be required to increase wages or use temporary labor at a higher cost and reduced efficiency. In ~~2022~~ **recent years** , we experienced, and expect to continue to experience, a shortage of labor for certain functions, inflationary pressures on wages, and an increasingly competitive labor market. The extent and duration of the effect of these labor market challenges are subject to numerous factors, including geopolitical events such as the ~~continuing effect of the COVID- 19 pandemic or the~~ ongoing Russia / Ukraine **and Israel / Hamas** ~~conflict~~ **conflicts** , availability of qualified persons in the markets where we and our contracted service providers operate, inflation and unemployment levels within these markets and our reputation within the labor market. Inefficient operations or further increased labor costs resulting from these labor market challenges could negatively impact our profitability and could damage our reputation with our customers. Additionally, as of December 31, ~~2022~~ **2023** , we were party to collective bargaining agreements covering **798 employees in Canada and** 1, **020** ~~123 employees in Canada and 768~~ employees in Australia. Efforts have been made from time to time to unionize other portions of our workforce. In addition, our facilities serving oil sands development work in Northern Alberta, Canada and mining operations in Australia house both union and non- union customer employees. We have not experienced strikes, work stoppages or other slowdowns in the past, but we cannot guarantee that we will not experience such events in the future. A prolonged strike, work stoppage or other slowdown by our employees or by the employees of our customers could cause us to experience a disruption of our operations or adversely impact our reputation, which could adversely affect our business and results of operations. Additional unionization efforts and new collective bargaining agreements also could materially increase our costs or limit our flexibility. Collective bargaining agreements in our Canadian operations have individual expiration dates, but in no case extend beyond 2026. Enterprise bargaining agreements in our Australian operations cover certain employees working at our villages in Queensland, New South Wales ~~,~~ **and** Western ~~Australia and South~~ Australia, as well as certain employees working at our integrated services customer **-** owned sites in Western **Australia and South** Australia. These agreements either have individual expiration dates or continue until either party seeks to have such agreement cancelled, but in no case extend beyond 2024. A failure to maintain food safety or comply with government regulations related to food and beverages or serving alcoholic beverages may subject us to liability. Claims of illness or injury relating to food quality or food handling are common in the food service industry, and a number of these claims may exist at any given time. Because food safety issues could be experienced at the source or by food suppliers or distributors, food safety could, in part, be out of our control. Regardless of the source or cause, any report of food- borne illness or other food safety issues such as food tampering or contamination at one of our locations could adversely impact our reputation, hindering our ability to renew contracts on favorable terms or to obtain new business, and have a negative ~~31~~ impact on our revenue. Future food product recalls and health concerns associated with food contamination may also increase our raw materials costs and, from time to time, disrupt our business. **29** A variety of regulations at various governmental levels relating to the handling, preparation and serving of food (including, in some cases, requirements relating to the temperature of food), cleanliness of food production facilities and hygiene of food- handling personnel are enforced primarily at the local public health department level. We can give no assurances that we are in full compliance with all applicable laws and regulations at all times or that we will be able to comply with any future laws and regulations. Furthermore, legislation and regulatory attention to food safety is very high. Additional or amended regulations in this area may significantly increase the cost of compliance or expose us to liabilities. We serve alcoholic beverages at some of our facilities, and must comply with applicable licensing laws, as well as local service laws. These laws generally prohibit serving alcoholic beverages to certain persons such as a patron who is intoxicated or a minor. If we violate these laws, we may be liable to the patron and / or to third parties for the acts of the patron. We cannot guarantee that certain patrons will not be served or that liability for their acts will not be imposed on us. There can be no assurance that additional regulation in this area would not limit our activities in the future or significantly increase the cost of regulatory compliance. We must also obtain and comply with the terms of licenses in order to sell alcoholic beverages in the jurisdictions in which we serve alcoholic beverages. If we are unable to maintain food safety or comply with government regulations related to food, beverages or alcoholic beverages, the effect could be materially adverse to our business and results of operations. The majority of our major Canadian lodges are located on land subject to leases. If we are unable to renew a lease or obtain permits necessary to operate on such leased land, we could be materially and adversely affected. The majority of our major Canadian lodges are located on land subject to provincial leases. Accordingly, while we own the accommodations assets, we only own a leasehold in those properties. If we are found to be in breach of a lease, we could lose the right to use the property. In addition, our leases generally have an initial term of ten years and will expire between ~~2023~~ **2024** and 2030 unless extended. Unless we can extend the terms of these leases before their expiration, as to which no assurance can be given, we will lose our right to operate our facilities located on these properties upon expiration of the leases. In that event, we would be required to remove our accommodations assets and remediate the site at our own cost, which could be material. We **did** ~~have agreed to~~ not renew an expiring land lease associated with our McClelland Lake Lodge in Alberta, Canada, which ~~currently expires~~ **expired** in June 2023, **in order** to support our customer' s intent to mine the land where the lodge **was** ~~is currently~~ located. As of December 31, ~~2022~~ **2023** , we had an asset retirement obligation (ARO) liability related to the McClelland Lake Lodge on our balance sheet of $ ~~4~~ **0** . ~~1~~ **3** million. Consistent with U. S. generally accepted accounting principles, this liability is the estimated present value of the amount of required asset removal and site remediation costs related to the retirement of assets at this location in 2023. As of December 31, ~~2022~~ **2023** , we had other ARO liabilities on our balance sheet of $ ~~14~~ **16** . ~~0~~ **2** million. Should the remediation requirement be accelerated, our near term cash obligation could be significantly larger than the liability currently on our balance sheet and could negatively impact our cash flows and liquidity. Also, in certain areas in which we operate, we are required to seek permits from local government agencies in order to build a new lodge or operate an existing lodge on leased land ~~. A proposed regulation in the Regional Municipality of Wood Buffalo, Alberta, where we have eight facilities, would require us to seek renewal of such permits every four years; however, this proposal was abandoned in late 2019, and no update has been provided~~ . We can provide no assurances that we will be able to renew our leases or permits upon expiration on similar terms, or at all. If we are unable to renew our leases or permits on similar terms, it may have an adverse effect on our business and results of operations. We are susceptible to seasonal earnings volatility due to adverse weather conditions in our regions of operations. Our operations are directly affected by seasonal differences in weather in the areas in which we operate. A portion of our Canadian operations is conducted during the winter months when the winter freeze in remote regions is required for exploration and production activity to occur. The spring thaw in these frontier regions restricts operations in the spring months and, as a result, adversely affects our operations and our ability to provide services in the second quarter. During the Australian rainy season, generally between the months of November and April, our operations in Queensland and the northern parts of Western Australia can be affected by cyclones, monsoons and resultant flooding. Additionally, the areas in which we operate are susceptible to wildfires. Finally, global climate change may result in certain of these adverse weather conditions occurring more ~~32~~ frequently or with greater intensity. If any of these conditions occur, our operations could be interrupted and our earnings may be adversely impacted. Failure to maintain positive relationships with the Indigenous people in the areas where we operate could adversely affect our business. **30** A component of our business strategy is based on developing and maintaining positive relationships with the Indigenous people and communities in the areas where we operate. These relationships are important to our operations and customers who desire to work on traditional Indigenous lands. The inability to develop and maintain relationships and to be in compliance with local requirements could have an adverse effect on our business and results of operations. Development of permanent infrastructure in the areas where we locate our assets could negatively impact our business. We specialize in providing hospitality services for workforces in remote areas which often lack the infrastructure typically available in nearby towns and cities. If permanent towns, cities and municipal infrastructure develop, grow or otherwise become available in the oil sands region of northern Alberta, Canada, the west coast of British Columbia or regions of Australia where we operate, then demand for our hospitality services could decrease as customer employees move to the region and choose to utilize permanent housing and food service. We may be subject to risks associated with the transportation, installation and demobilization of mobile accommodations. **We** ~~In connection with our Canadian business, we~~ currently have several contracts to transport and install modular, skid- mounted accommodations and central facilities that can be quickly configured to serve a multitude of short **-** to medium- term accommodation needs. In connection with the transportation and installation of these facilities, we may be exposed to various risks, including: • delays in necessary approvals to install the facilities or objections to our activities or those of our customers aired by aboriginal or community interests, environment and / or neighborhood groups which may cause delays in the granting of such approvals and / or the overall progress of a project; • challenges during installation, including problems, defects, inclement weather conditions, land contamination, cultural heritage claims, difficult site access or industrial relations issues; and • risks related to the quality of our materials and workmanship, including warranties and defect liability obligations. Our business could be negatively impacted by security threats, including cybersecurity threats and other disruptions. We face various security threats, including cybersecurity threats to gain unauthorized access to sensitive information or to render data or systems unusable or hold them for ransom; threats to the safety of our employees; threats to the security of our facilities and infrastructure or third- party facilities and infrastructure; and threats from terrorist acts. Although we utilize various procedures and controls to monitor these threats and mitigate our exposure to such threats, including cybersecurity insurance, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. If any of these events were to materialize, they could lead to losses of sensitive information, critical infrastructure, personnel or capabilities essential to our operations and could have a material adverse effect on our reputation, competitive position, financial position, results of operations or cash flows. In addition, such events could result in litigation, regulatory action and potential liability, including liability under laws that protect the privacy of personal information, as well as the costs and operational consequences of implementing further data protection measures. Cybersecurity attacks in particular **develop** ~~are evolving~~ and **evolve rapidly, including from emerging technologies, such as advanced forms of artificial intelligence. Such attacks** include, but are not limited to, malicious software, attempts to gain unauthorized access to data, ransomware attacks and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of or denial of access to confidential or otherwise protected information and corruption of data. We have experienced, and expect to continue to confront, efforts by hackers and other third parties to gain unauthorized access or deny access to, or otherwise disrupt, our information ~~technology~~ systems and networks. While we have not experienced a material **cybersecurity** incident in the last three years, a material **cybersecurity** ~~cyber-~~ incident could have a material adverse effect on our business, financial condition, results of operations or liquidity. ~~33~~ **Our business could be disrupted by any failure of our information systems. We depend on our information systems to actively manage our accommodation services, including with respect to administrative functions, financial and operational data, ordering and point of sale processing, to enhance our ability to optimize facility utilization, occupancy, costs of goods sold and average daily rate. The failure of our information systems to perform as anticipated could damage our reputation with our customers, disrupt our business or result in, among other things, decreased revenue and increased costs. Any such failure could harm our business, results of operations and financial condition. In addition, the delay or failure to implement information system upgrades and new systems effectively could disrupt our business, distract management' s focus and attention from business operations and growth initiatives, and increase our implementation 31 and operating costs, any of which could materially adversely affect our operations and operating results. Furthermore, these technologies may require refinements and upgrades, which may require significant investment by us. As various systems and technologies become outdated or new technology is required, we may not be able to replace or introduce them as quickly as needed or in a cost- effective and timely manner. As a result, we may not achieve the benefits we may have been anticipating from any new technology or system.** Loss of key members of our management could adversely affect our business. We depend on the continued employment and performance of key members of our management. If any of our key managers resign or become unable to continue in their present roles and are not adequately replaced, our business operations could be materially adversely affected. We do not maintain " key man " life insurance for any of our officers. Financial / Accounting Risks Our indebtedness could restrict our operations and...... results of operations and cash flows. Currency exchange rate fluctuations could adversely affect our U. S. dollar reported results of operations and financial position. Our reporting currency is the U. S. dollar, and we are exposed to currency exchange risk primarily between the U. S. dollar and the Canadian and Australian dollars. For the year ended December 31, ~~2022~~ **2023** , ~~97~~ **98** % of our revenues originated from subsidiaries outside of the U. S. and were denominated in either the Canadian dollar or the Australian dollar. As a result, a material decrease in the value of these currencies relative to the U. S. dollar has had, and may have in the future, a negative impact on our reported revenues, net income, financial condition and cash flows. Any currency controls implemented by local monetary authorities in countries where we currently operate could also adversely affect our business, financial condition and results of operations. We may attempt to limit the risks of currency fluctuation where possible by entering into financial instruments to protect against foreign currency exposure, but, to date, we have not entered into any foreign currency financial ~~34~~ instruments. Our efforts to limit exchange risks may be unsuccessful, thereby exposing us to foreign currency fluctuations that could cause our results of operations, financial condition and cash flows to deteriorate. **We may not have adequate insurance for potential liabilities and insurance may not cover certain liabilities. Our operations are subject to many hazards. In the ordinary course of business, we become the subject of various 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 the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of such businesses. We maintain insurance to cover many of our potential losses, including cyber risk insurance, and we are subject to various self- retentions and deductibles under our insurance policies. It is possible, however, that a judgment could be rendered against us in cases in which we could be uninsured and beyond the amounts that we currently have reserved or anticipate incurring for such matters. Even a partially uninsured or underinsured claim, if successful and of significant size, could have a material adverse effect on our results of operations or consolidated financial position. In addition, we are insured under the insurance policies of Oil States International, Inc. (Oil States) for occurrences prior to the completion of our spin- off from Oil States in May 2014 (the Spin- Off). The specifications and insured limits under those policies, however, may be insufficient for such claims. We also face other risks related to our insurance coverage, including (i) we may not be able to continue to obtain insurance on commercially reasonable terms; (ii) the counterparties to our insurance contracts may pose credit risks; (iii) we may incur losses from interruption of our business that exceed our insurance coverage; and (iv) we may not be able to procure insurance for certain risks due to various factors including insurance market constraints.** The cyclical nature of our business and a severe prolonged downturn has, and could in the future, negatively affect the value of our long- lived assets and our goodwill. We recorded impairments of our long- lived assets of $ **1. 4 million, $** 5. 7 million ~~,~~ **and** $ 7. 9 million ~~and $ 50. 5 million~~ in **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, respectively ~~. We also recorded goodwill impairments of $ 93. 6 million in 2020~~. As of December 31, ~~2022~~ **2023**, goodwill at our Australian reporting unit represented 1 % of total assets, or $ 7. 7 million. Factors that may cause us to recognize further impairment losses on our long- lived assets or on the goodwill at our Australian reporting unit include, among other things, extended periods of limited or no activity by our customers at our lodges or villages, increased or unanticipated competition, and downward forecast revisions or restructuring plans or if certain of our customers do not reach positive final investment decisions on projects with respect to which we have been awarded contracts to provide related accommodation, which may cause those customers to terminate the contracts. **32** Our inability to control the inherent risks of identifying, acquiring and integrating businesses that we may acquire, including any related increases in debt or issuances of equity securities, could adversely affect our operations. Acquisitions have been, and our management believes acquisitions will continue to be, a key element of our growth strategy. We may not be able to identify and acquire acceptable acquisition candidates on favorable terms in the future. We may be required to incur substantial indebtedness to finance future acquisitions and also may issue equity securities in connection with such acquisitions. Such additional debt service requirements could impose a significant burden on our results of operations and financial condition. The issuance of additional equity securities could result in significant dilution to shareholders. In addition, overpayment of an acquisition could cause potential impairments which could affect our results of operations. We expect to gain certain business, financial and strategic advantages as a result of business combinations we undertake, including synergies and operating efficiencies. Our forward- looking statements assume that we will successfully integrate our business acquisitions and realize these intended benefits. The success of any acquisitions we make depends, in large part, on our ability to realize the anticipated benefits, including operating synergies from combining our businesses, which were previously operated independently, and retaining and integrating key employees, vendors and customers from the acquired businesses. An inability to realize expected strategic advantages as a result of the acquisition would negatively affect the anticipated benefits of the acquisition. Additionally, an acquisition may bring us into businesses we have not previously conducted **or geographies in which we have not previously operated** and expose us to additional business risks that are different from those we have previously experienced. Our future success depends, in part, upon our ability to manage this expanded business, which will pose substantial challenges for our management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. If we fail to manage any of these risks successfully, our business could be harmed. Our capitalization and results of operations may change significantly following an acquisition, and our shareholders may not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in evaluating future acquisitions. Our indebtedness could restrict our operations and make us more vulnerable to adverse economic conditions.As of December 31, ~~2022~~ **2023**,we had approximately $ ~~29~~ **65**. ~~5~~ **6** million outstanding under the **revolving** ~~term loan~~ portion of our Syndicated Facility Agreement (Credit Agreement),$ ~~102.5 million outstanding under the revolving portion of the Credit Agreement,$~~ 1.4 million of outstanding letters of credit and ~~capacity to borrow~~ an additional $ ~~96~~ **133**.1 million **in remaining capacity to borrow** under the revolving portion of the Credit Agreement.If market or other economic conditions remain depressed or further deteriorate,our borrowing capacity may be reduced.Our Credit Agreement contains,and any future indebtedness we incur may contain,a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to,among other things,borrow funds,dispose of assets,pay dividends and make certain investments.In addition,these covenants also may limit our ability to obtain future financings,make needed capital expenditures,withstand a continued downturn in our business or a downturn in the economy in general or otherwise conduct necessary corporate activities.Our ability to comply with these covenants may be affected by events beyond our control.Declines in commodity prices,or a prolonged period of commodity prices at depressed levels,could eventually result in our failing to meet one or more of the financial covenants under the Credit Agreement,which could require us to refinance or amend such obligations resulting in the payment of consent fees or higher interest rates,or require us to raise additional capital at an inopportune time or on terms not favorable to us.A failure to comply with these covenants,ratios or tests could also result in an event of default.A default under the Credit Agreement,if not cured or waived,could result in acceleration of all indebtedness outstanding thereunder.The accelerated debt would become immediately due and payable.If that should occur,we may be unable to pay all such debt or to borrow sufficient funds to refinance it.Even if new financing were then available,it may not be on terms that are acceptable to us.In addition,in the event of an event of default under the Credit Agreement,the lenders could foreclose on the collateral securing the credit facility and require repayment of all borrowings outstanding.If the amounts outstanding under the credit facility or any of our other indebtedness were to be accelerated,our assets may not be sufficient to repay in full the money owed to the lenders or to our other debt holders.Moreover,any new indebtedness we incur may impose financial restrictions and other covenants on us that may be more restrictive than our existing debt agreements.Our ability to service our debt,including repaying outstanding borrowings under our Credit Agreement at maturity,will depend upon,among other things,our future financial and operating performance,which will be affected by prevailing economic conditions and financial,business,regulatory and other factors,some of which are beyond our control.If our business does not generate sufficient cash flows from operations to enable us to meet our obligations under our indebtedness,we will be forced to take actions such as reducing or delaying business activities, **including dividend payments and share repurchases,33** acquisitions,investments and / or capital expenditures,selling assets,restructuring or refinancing our indebtedness **or seeking additional equity capital.** We may not **be able** ~~have adequate insurance for potential liabilities and insurance may not cover certain liabilities. Our operations are subject~~ to **effect** ~~many~~ - **any of** ~~hazards. In the~~ **these** ~~ordinary course of business, we become the subject of various claims, lawsuits and administrative proceedings seeking damages or other~~ remedies ~~concerning~~ **on satisfactory terms** ~~our~~ - **or** ~~commercial operations~~ **at all** , ~~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 the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of such businesses. We maintain insurance to cover many of our potential losses, including cyber risk insurance, and we are subject to various self- retentions and deductibles under our insurance policies. It is possible, however, that a judgment could be rendered against us in cases in~~ which ~~we could be uninsured and beyond the amounts that we currently have reserved or anticipate incurring for such matters. Even a partially uninsured or underinsured claim, if successful and of significant size,~~ could have a material adverse effect on our **business, financial condition,** results of operations ~~or consolidated financial position. In addition, we are insured under the insurance policies of Oil States International, Inc. (Oil States) for occurrences prior to the completion of our spin- off from Oil States in May 2014 (the Spin- Off). The specifications~~ and **cash flows** ~~insured limits under those policies, however, may be insufficient for such claims~~ . ~~We also face other risks related to our insurance coverage, including (1) we may not be able to continue to obtain insurance on commercially reasonable terms; (2) the counterparties to our insurance contracts may pose credit risks; and (3) we may incur losses from interruption of our business that exceed our insurance coverage 35~~ Legal and Regulatory Risks We do business in Canada and Australia, whose political and regulatory environments and compliance regimes differ from those in the U. S. A significant portion of our revenue is attributable to operations in Canada and Australia. These activities accounted for ~~97~~ **98** % of our consolidated revenue in the year ended December 31, ~~2022~~ **2023** . Risks associated with our operations in Canada and Australia include, but are not limited to, (~~1~~ **i**) different taxing regimes; (~~2~~ **ii**) changing political conditions at the federal, provincial or state level; (~~3~~ **iii**) changing international and U. S. monetary policies; and (~~4~~ **iv**) regional economic downturns. The regulatory regimes in these countries are substantially different than those in the U. S. ~~,~~ and may be unfamiliar to U. S. investors. Violations of non- U. S. laws could result in monetary and criminal penalties against us or our subsidiaries and could damage our reputation and, therefore, our ability to do business. We are subject to extensive and costly environmental laws and regulations that may require us to take actions that will adversely affect our results of operations. All of our operations are significantly affected by stringent and complex foreign, federal, provincial, state and local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. We could be exposed to liabilities for cleanup costs, natural resource damages and other damages as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third- parties. There is inherent risk of environmental costs and liabilities in our business as a result of historical industry operations and waste disposal practices, which include air emissions and waste water discharges as well as our handling of petroleum hydrocarbons related to our operations. Certain environmental statutes impose joint and several strict liability for these costs. For example, an accidental release by us in the performance of services at one of our or our customers' sites could subject us to substantial liabilities arising from environmental cleanup, restoration costs and natural resource damages, claims made by neighboring landowners and other third parties for personal injury and property damage and fines or penalties for related violations of environmental laws or regulations. We may not be able to recover some or any of these costs from insurance. Environmental laws and regulations are subject to change in the future, possibly resulting in more stringent requirements. The implementation of new laws and regulations could result in materially increased costs, stricter standards and enforcement, increased reporting obligations, larger fines and liability and increased capital expenditures and operating costs, particularly for our customers, and could have an adverse effect on our business or demand for our services. See Item 1. " Business- Government Regulation " of this annual report for a more detailed description of our risks associated with environmental laws and regulations. It should also be noted that scientists have concluded that increasing concentrations of **greenhouse gases (** ~~GHGs~~ - **GHG)** in the earth' s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. Any failure by us to comply with applicable environmental laws and regulations may result in governmental authorities taking actions against our business that could adversely impact our business and results of operations, including the issuance of administrative, civil and criminal penalties; denial or revocation of permits or other authorizations; reduction or cessation of operations; and performance of site investigatory, remedial or other corrective actions. We may be exposed to certain regulatory and financial risks related to climate change and other ESG- related matters. Climate change and other ESG- related matters are receiving increasing attention from the media, scientists and legislators alike **,** which has resulted in legislative, regulatory and other initiatives, including international agreements, to reduce greenhouse gas emissions, such as carbon dioxide and methane, and proposed regulations to increase climate change reporting obligations. Significant focus is being made on companies that are active producers of fossil fuels, or companies which serve such producers. Efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues and impose reductions of hydrocarbon- based fuels. There are a number of legislative and regulatory proposals to address greenhouse gas emissions, including increased fuel efficiency standards, carbon taxes or cap and trade systems, restrictive permitting, and incentives for renewable energy, which are in various phases of discussion or implementation. Moreover, such legislation, regulations and proposals are subject to frequent **34** change by regulatory authorities ~~, including in connection with the change in the U. S. federal administration in January 2021~~ . The outcome of Canadian, Australian and U. S. federal, regional, provincial and state actions to address global climate change could result in a variety of regulatory programs including potential new regulations, additional charges to fund energy ~~36~~ efficiency activities, or other regulatory actions. These actions could both (~~1~~ **i**) directly impact us due to increased costs associated with our operations, and (~~2~~ **ii**) indirectly impact us due to increased costs of and / or reduced demand for our customers' operations, and resulting reduced demand for our services. Any adoption of these or similar proposals by Canadian, Australian or U. S. federal, regional, provincial, state or local governments mandating a substantial reduction in greenhouse gas emissions could have far- reaching and significant impacts on the energy industry, including negatively impacting the price of oil relative to other energy sources, reducing demand for hydrocarbons and other minerals or limiting drilling or mining in the areas in which we operate. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business, any such future laws and regulations could result in increased compliance costs or additional operating restrictions, and could have a material adverse effect on our business or demand for our services. In addition, there have also been efforts in recent years to influence the investment community, including investment advisors and certain sovereign wealth, pension and endowment funds promoting divestment of fossil fuel equities and pressuring lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. Such environmental activism and initiatives aimed at limiting climate change and reducing air pollution could interfere with our business activities, operations and ability to access capital **and assess acquisitions** . Furthermore, members of the investment community **, as well as political advocacy groups,** are increasing their focus on ESG practices and disclosures by public companies **, and concerns over climate change have resulted in, and are expected to continue to result in, the adoption of regulatory requirements for climate- related disclosures** . As a result, we may continue to face increasing pressure regarding our ESG disclosures and practices **, and mandatory reporting obligations could increase our compliance burden and costs. We publish an annual ESG Report, which outlines our progress and ongoing efforts to advance our ESG initiatives. Our disclosures on these matters rely on management' s expectations as of the date the statements are first made, as well as standards for measuring progress that are still in development, and may change or fail to be realized. These expectations and standards may continue to evolve** . If our ESG disclosures and practices do not meet **regulatory,** investor or other stakeholder expectations and standards, which continue to evolve, it could have a material adverse effect on our business or demand for our services. **At the same time, some stakeholders and regulators have increasingly expressed or pursued opposing views, legislation, and investment expectations with respect to ESG, including the enactment or proposal of " anti- ESG " legislation or policies. By publishing our annual ESG Report, our business may also face increased scrutiny related to ESG activities and be unable to satisfy all stakeholders.** Additionally, members of the investment community may screen ~~companies such as ours~~ - **our** ~~for~~ ESG disclosures and performance before investing in our common shares. See Item 1. " Business- Government Regulation " of this annual report for a more detailed description of our climate- change related risks. Risks Related to Our Common Shares The market price and trading volume of our common shares may be volatile. The market price of our common shares has historically experienced and may continue to experience volatility. For example, during ~~2022~~ **2023** , the market price of our common shares ranged from a low of $ ~~18~~ **17** . ~~90~~ **87** per share to a high of $ ~~32~~ **36** . ~~06~~ **88** per share. The market price of our common shares may be influenced by many factors, some of which are beyond our control, including those described above and the following: • changes in financial estimates by analysts and our inability to meet those financial estimates; • strategic actions by us or our competitors; • announcements by us or our competitors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments; • variations in our quarterly operating results and those of our competitors; • general economic and stock market conditions; • risks related to our business and our industry, including those discussed above; • changes in conditions or trends in our industry, markets or customers; • geopolitical events or terrorist acts **, including cybersecurity threats** ; • trading volume of our common shares; • the majority of our common shares being held by a few shareholders; • **our policy on share repurchases and dividend payments; 35 •** future sales of our common shares or other securities by us, members of our management team or our existing shareholders; and • investor perceptions of the investment opportunity associated with our industry or common shares relative to other investment alternatives. These ~~broad market and industry~~ factors may materially reduce the market price of our common shares, regardless of our operating performance. In addition ~~, price volatility may be greater if the public float and trading volume of our common shares is low. Since the twelve- to- one reverse share split of our common shares on November 19, 2020 through February 24, 2023~~ , our average daily trading volume on the ~~NYSE~~ **New York Stock Exchange** has

historically been **low** ~~approximately 36~~ , ~~400 shares~~ **which may result in greater price volatility** . In addition, in recent years the stock market has experienced substantial price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons potentially unrelated to their operating performance. For example, our share price may experience substantial volatility due to uncertainty regarding ~~37~~ commodity prices. These market fluctuations, regardless of the cause, may materially and adversely affect our share price, regardless of our operating results. Price volatility may cause the average price at which we repurchase our common shares (see Note 17 – ~~Common~~ Share ~~Repurchases~~ - **Repurchase Programs and Dividends** for a discussion of repurchases of our common shares) in a given period to exceed the share price at a given point in time. In addition, stock market volatility may impact our ability to access the capital markets in the future on acceptable terms or at all. Furthermore, the trading market for our common shares is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. ~~Any~~ **The payment of dividends and** repurchases of our common shares are **each** within the discretion of our Board of Directors, and there is no guarantee that we will **pay any dividends or** repurchase common shares in the future **or at levels anticipated by our shareholders** . The amount and timing of all future **payments of dividends or** ~~purchases~~ **repurchases** of common shares pursuant to our share repurchase program, if any, are **each** subject to the discretion of the Board of Directors **(Board)** and will depend upon business conditions, results of operations, financial condition and other factors. Our Board ~~of Directors~~ may, without advance notice, **discontinue the payment of dividends or** suspend or terminate our share repurchase program. There can be no assurance that we will make **dividend payments or** ~~repurchases~~ - **repurchase** ~~of~~ our common shares in the future. The ~~existence~~ **payment** of **dividends on our common shares or repurchase of shares under** our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic growth projects. In addition, any elimination of, or downward revision in, **our dividend policy or** our share repurchase program could have an adverse effect on the market price of our common shares. While the U. S. has imposed an excise tax on U. S. domestic corporations repurchasing stock, our share repurchase program is not currently subject to this tax. A similar **2 %** tax has been ~~proposed~~ **imposed** in Canada, **effective January 1, 2024,** which **applies** ~~if enacted, would apply~~ to us and may impact the tax efficiency of our share repurchase program. We are governed by the corporate laws in British Columbia, Canada which in some cases have a different effect on shareholders than the corporate laws in Delaware, U. S. There are material differences between the Business Corporations Act (British Columbia) (BCBCA) as compared to the Delaware General Corporation Law (DGCL). ~~For example, some~~ **Some** of these material differences include the following: (~~1~~ **i**) for material corporate transactions (such as amalgamations, arrangements, the sale of all or substantially all of our undertaking, and other extraordinary corporate transactions), the BCBCA, subject to the provisions of our articles, generally requires two- thirds majority vote by shareholders, whereas DGCL generally only requires a majority vote of shareholders for similar material corporate transactions; and (~~2~~ **ii**) under the BCBCA, a holder of 5 % or more of our common shares can requisition a general meeting of shareholders for the purpose of transacting any business that may be transacted at a general meeting, whereas the DGCL does not give this right. We cannot predict if investors will find our common shares less attractive because of these material differences. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile. Provisions contained in our articles and applicable Canadian and British Columbia laws could discourage a take- over attempt, which may reduce or eliminate the likelihood of a change of control transaction and, therefore, the ability of our shareholders to sell their shares for a premium. Provisions contained in our articles provide for a classified Board ~~of Directors~~ , limitations on the removal of directors, limitations on shareholder proposals at meetings of shareholders and limitations on shareholder action by written consent, which could make it more difficult for a third- party to acquire control of us. Our articles, subject to the corporate law of British Columbia, also authorize our Board ~~of Directors~~ to issue series of preferred shares without shareholder approval. If our Board ~~of Directors~~ elects to issue preferred **36** shares, it could increase the difficulty for a third- party to acquire us, which may reduce or eliminate our shareholders' ability to sell their common shares at a premium. In addition, in Canada, we may become subject to applicable securities laws, including National Instrument 62- 104 Take- Over Bids and Issuer Bids of the Canadian Securities Administrators, which provide a heightened threshold for shareholder acceptance of third- party acquisition offers and could discourage take- over attempts that could result in a premium over the market price for our common shares. As a British Columbia company, we may be subject to additional Canadian laws and regulations. The application of additional Canadian laws and regulations could make it more difficult for third parties to acquire control of us. For example, such laws and regulations may, depending on the circumstances, result in regulatory reviews of and may require regulatory approval for any proposed take- over attempts. Any of the foregoing could prevent or delay a change of control and may deprive or limit strategic opportunities for our shareholders to sell their common shares and / or affect the market price of our common shares. ~~38~~ The enforcement of civil liabilities against Civeo may be more difficult. Civeo is a British Columbia company and a substantial portion of our assets are located outside the U. S. As a result, investors could experience more difficulty enforcing judgments obtained against us in U. S. courts than would be the case for U. S. judgments obtained against a U. S. company. In addition, some claims may be more difficult to bring against Civeo in Canadian courts than it would be to bring similar claims against a U. S. company in a U. S. court. Risks Related to Our Structure We are subject to various Canadian, Australian and other taxes. Our effective tax rates (including our Canadian and Australian tax rate) are dependent on a variety of factors, many of which are beyond our ability to control, such as changes in the rate of economic growth in jurisdictions in which we operate, currency exchange rate fluctuations (especially between Canadian and U. S. dollars and Australian and U. S. dollars), and significant changes in trade, monetary or fiscal policies of Canada and Australia, including changes in interest rates, withholding taxes, tax treaties and federal and provincial tax rates generally. The impact of these factors, individually and in the aggregate, is difficult to predict, in part because the occurrence of any number of the events or circumstances described in such factors may be (and, in fact, often seem to be) interrelated, and the impact to us of the occurrence of any one of these events or circumstances could be compounded or, alternatively, reduced, offset, or more than offset, by the occurrence of one or more of the other events or circumstances described in such factors. Canada' s tax rules under the Income Tax Act (Canada) (the Canadian Tax Act) allow for favorable tax treatment related to the repatriation of certain dividends from foreign affiliates. If it becomes necessary or desirable to repatriate earnings from subsidiaries, repatriating earnings could, in certain circumstances, give rise to the imposition of potentially significant withholding taxes by the jurisdictions in which such amounts were earned, without our receiving the benefit of any offsetting tax credits, which could adversely impact our effective tax rate and cash flows. These tax rules are complicated and could change over time. Any such changes could have a material impact on our overall tax rate. Canada has also introduced tax rules governing " foreign affiliate dumping " in the Canadian Tax Act that can have adverse tax consequences in respect of non- Canadian business activities and investments for Canadian corporations that are controlled by non- Canadian corporations. These rules would have a negative impact on us to the extent that we became controlled by a non- Canadian resident corporation. We remain subject to changes in tax law (in various jurisdictions) and other factors that could impact our effective tax rate. The tax laws of Canada, Australia and the U. S. could change in the future, and such changes could cause a material change in our effective corporate tax rate. As a result, our realized effective tax rate may be materially different from our current expectation. Our provision for income taxes will be based on certain estimates and assumptions made by management in consultation with our tax and other advisors. Our consolidated income tax rate will be affected by the amount of net income earned in Canada and our other operating jurisdictions, the availability of benefits under tax treaties, and the rates of taxes payable in respect of that income. We will enter into many transactions and arrangements in the ordinary course of business in respect of which the tax treatment is not entirely certain. We will therefore make estimates and judgments based on our knowledge and understanding of applicable tax laws and tax treaties, and the application of those tax laws and tax treaties to our business, in determining our consolidated tax provision. The final outcome of any audits by taxation authorities may differ from **37** the estimates and assumptions we may use in determining our consolidated tax provisions and accruals. This could result in a material adverse effect on our consolidated income tax provision, financial condition and the net income for the period in which such determinations are made. The U. S. Congress, government agencies in non- U. S. jurisdictions where we and our affiliates do business, and the Organization for Economic Co- operation and Development (the " OECD ") have recently focused on issues related to the taxation of multinational corporations. For example, the OECD has proposed a two- pillar plan to reform international taxation, with proposals to ensure a fairer distribution of profits among countries and to impose a floor on tax competition through the introduction of a global minimum tax. As a result, the tax laws in the U. S. and other countries in which we and our affiliates do business could change on a prospective or retroactive basis (or both), and any such changes could materially adversely affect us. ~~39~~ Future potential changes to U. S. tax laws could result in Civeo being treated as a U. S. corporation for U. S. federal income tax purposes. Although we **have historically been regarded** ~~believe that we are treated~~ as a foreign corporation for U. S. federal income tax purposes, changes to Section 7874 of the Internal Revenue Code or the U. S. Treasury regulations promulgated thereunder **,** or official interpretations thereof, could adversely affect Civeo' s status as a foreign corporation for U. S. federal income tax purposes. For example, members of Congress from time to time have proposed changes to the Internal Revenue Code, and the U. S. Treasury has taken and may continue to take regulatory action, in connection with inversion transactions. The timing and substance of any such change in law or regulatory action is uncertain. Any such change of law or regulatory action could adversely impact the treatment of Civeo as a foreign corporation for U. S. federal income tax purposes and could adversely impact its tax position and financial position and results in a material manner. The precise scope and application of any legislative or regulatory proposals will not be clear until they are actually issued, and, accordingly, until such legislation or regulations are issued and fully understood, we cannot be certain as to their potential impact. ~~Any such changes could apply retroactively to a date prior to the date of our redomestication from Delaware to British Columbia, Canada in 2015.~~ If Civeo were to be treated as a U. S. corporation for U. S. federal income tax purposes, it could be subject to substantially greater U. S. federal income tax liability.